



FINANCIAL REPORT

As of September 30, 2010

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MANAGEMENT REPORT
For the period January 1 to September 30,2010

(1. HIGHLIGHTS OF THE FIRST NINE MONTHS OF THE YEAR

1.1 SITUATION OF THE COVERED BOND MARKET

The primary covered bond market has been extremely active this year, with a record volume of jumbo issues (EUR 142 billion in the first nine months of 2010 versus EUR 95 billion in the same period of 2009). The market was sustained by the very large volume of reimbursements of covered bonds scheduled to mature this year and by the continued programme of European Central Banks to buy covered bonds (EUR 60 billion in a year, of which roughly a quarter was negotiated in the primary market; this programme came to an end in June). French issuers accounted for almost a third of these issues. The trend in 2010 has been a decrease in the average size of benchmark issues and a decline in the number of taps. The average maturity of issues remained slightly greater than six years, as was the case in the previous year, but very few issuers ventured beyond maturities of seven years (23% of all issues). The year 2010 has also seen a decrease in issue spreads in most countries (15 to 20 basis points for French issuers) and a more marked differentiation by issuer and by country. In addition, two new trends have made their appearance – the introduction of offers to exchange covered bonds for other covered bonds with a longer maturity (DMA launched the first operation), and the development of a market for covered bonds denominated in US dollars issued non-US issuers for American investors.

Against this background, Dexia MA issued three benchmarks in the first half (12 years, 8 years and 5 years), each for one billion euros, and two bonds (5 years and 10 years) in the amount of EUR 1.25 billion and EUR 0.75 billion within the framework of the September public exchange offer.

1.2 FINANCIAL SITUATION OF THE DEXIA GROUP

The Dexia Group continued to implement its transformation strategy and confirmed its ability to generate a profit as a result of good operating performance in its main business lines and of a decrease in the cost of risk for these activities. Net income, Group share, stood at EUR 667 million in the first nine months of 2010, compared with EUR 808 million in the same period in 2009.

This ability to generate a profit and its high solvency ratio (Tier I of 12.8% and a core Tier I ratio of 11.8%) enabled the Group to continue to reduce its balance sheet at a rapid pace (almost EUR 24 billion in non-strategic loans to the public sector and bonds from the run-off bond portfolio sold since the beginning of the year with losses limited to EUR 142 million), and thus to improve its liquidity. The result of the long-term annual financing programme exceeded the objective that had been set for the whole year 2010 (at the end of October, EUR 41.6 billion in medium- and long-term financing had already been issued since the beginning of the year, of which EUR 13.2 billion in the form of covered bonds). This enabled the Dexia Group to exit the States' guarantee system completely as of June 30, 2010, four months before the formal deadline.

(2. CHANGES IN MAIN BALANCE SHEET ITEMS

EUR billions	12/31/2008	12/31/2009	9/30/2010	Change sept 10 / dec 09
Cover pool	68.8	77.9	80.4	3.2%
Loans	56.7	55.8	55.5	-0.5%
Securities	19.9	22.1	24.9	12.7%
- Assets temporarily removed from cover pool (guarantee for Banque de France refinancing)	(7.8)	-	-	N.A
Privileged debt	64.1	66.2	68.3	3.1%
Swapped value				
Balance sheet value				
Obligations foncières & RCB*	62.0	63.9	66.8	4.5%
Cash collateral received	0.5	1.4	1.7	20.6%
Non-privileged debt	11.9	10.4	10.5	1.2%
Dexia Credit Local	4.4	10.4	10.5	1.2%
French Central Bank	7.5	-	-	N.A
Shareholders' equity	1.1	1.2	1.3	5.5%

(IFRS, excluding unrealized gains and losses)

* RCB = Registered covered bonds

As of September 30, 2010, Dexia Municipal Agency's cover pool, composed of loans and debt securities, totaled EUR 80.4 billion, excluding accrued interest not yet due. As of December 31, 2009, the total was EUR 77.9 billion; the increase was therefore EUR 2.5 billion (+3.2%).

As was the case at the end of 2009, the cover pool corresponded to all the assets on the balance sheet.

Outstanding debt benefiting from the legal privilege, translated if required at the currency swap rate (swapped value), was EUR 68.3 billion, up 3.1% from December 2009.

Debt vis-à-vis Dexia Credit Local, which does not benefit from the legal privilege, totaled EUR 10.5 billion. This amount corresponds to the financing of over-collateralization both structurally (commitment of Dexia MA and requirements of the rating agencies) and on a temporary basis (assets waiting to be refinanced by *obligations foncières*). Financing provided by the Central Bank, which does not benefit from the privilege of the law on *sociétés de crédit foncier* but is guaranteed by assets excluded from the cover pool, has stood at zero since July 2009.

Shareholders' equity, according to IFRS, but excluding reserves for unrealized gains and losses, totaled almost EUR 1.3 billion at the end of September 2010.

(3. CHANGE IN ASSETS IN THE FIRST NINE MONTHS OF 2010

3.1 ASSET PRODUCTION IN 2010

The net change in assets since the beginning of the year is an increase of EUR 2.5 billion. The change can be analyzed as follows.

Eur Billions	2009			9 month 2010		
	Loans	Debt securities	Total	Loans	Debt securities	Total
France	4.9	1.4	6.3	4.4	0.6	5.0
Outside of France	0.1	4.2	4.3	0.0	7.0	7.0
Total new assets	5.0	5.6	10.6	4.4	7.6	12.0
Amortization	(3.8)	(3.4)	(7.2)	(5.0)	(4.6)	(9.6)
Early redemption	(2.1)	-	(2.1)	(0.3)	-	(0.3)
Sales	(0.1)	-	(0.1)	(0.0)	-	(0.0)
Changes in provisions	-	(0.0)	(0.0)	-	-	-
Net change (excl. FX adjustments)	(1.0)	2.2	1.2	(0.9)	3.0	2.1
Foreign exchange adjustments*	0.1	0.0	0.1	0.6	(0.2)	0.4
Net change	(0.9)	2.2	1.3	(0.3)	2.8	2.5

* All the assets included in the cover pool are perfectly hedged against foreign exchange adjustments; the changes mentioned above are fully compensated by equivalent changes in the value of the hedging derivative.

Gross asset production and purchase in the period represented EUR 12.0 billion.

These long-term assets included the following items:

- EUR 2.8 billion in public sector loans originated by Dexia Credit Local within the framework of its commercial activity in France;
- EUR 4.2 billion in debt securities issued by Dexia Secured Funding Belgium (DSFB) – compartment 4); this securitization vehicle was created by Dexia Bank Belgium to enable Dexia MA to refinance loans to the Belgian public sector;
- EUR 1.7 billion in *cedulas territoriales* issued by Dexia Sabadell, of which EUR 1.1 billion correspond to the replacement of *cedulas territoriales* held by Dexia MA that had matured, and EUR 0.6 billion corresponding to a new investment;
- EUR 0.2 billion in *lettres de gage* issued by Dexia LdG Bank corresponding to an equivalent amount of *lettres de gage* held by Dexia MA and subject to early redemption;
- EUR 0.6 billion in certificates of deposit (CD) issued by Dexia Credit Local and considered as replacement assets in the cover pool.

Shorter-term placements were also decided. They corresponded to temporary needs and were reimbursed during the period:

- EUR 1.6 billion deposited with the Banque de France;
- EUR 0.9 billion in Belgian sovereign issues, with maturity of less than one year, reimbursed during the first six months of the year.

Eur Billions	2009	9 month 2010
Loans	5.0	4.4
France	4.9	4.4
Switzerland	0.1	0.0
Bonds	5.6	7.6
Belgium - DSFB 4 securitization	0.3	4.2
Belgium - other bonds	2.1	0.9
Italy	0.7	-
Spain - <i>cedulas territoriales</i>	0.5	1.7
Luxembourg - <i>lettres de gage publiques</i>	-	0.2
France	1.4	0.6
Ireland	0.2	-
Netherlands	0.4	-
TOTAL	10.6	12.0

Among the amortizations of securities during the period, note should be taken of the maturing of the EUR 1.4 billion certificate of deposit (CD) issued by Dexia Credit Local and benefiting from the guarantee of the French, Belgian and Luxembourg governments. This CD corresponded in amount and maturity to the investment of the cash collateral received from swap counterparties. At the end of September 2010, the sums received via swap transactions were invested in eligible assets and replacement assets. The other main amortizations concerned Belgian short-term debt securities for EUR 1.1 billion, *cedulas territoriales* issued by Dexia Sabadell for EUR 1.1 billion, and *lettres de gage* for EUR 0.2 billion.

3.2 OUTSTANDING ASSETS AS OF SEPTEMBER 30, 2010

a. Geographic breakdown of assets

The breakdown of assets by country varied significantly following the purchase of DSFB4 issues for EUR 4.2 billion, which resulted in an increase in the proportion of Belgian assets and the dilution of the share of the other countries, including France, which continued to represent the greatest volume of assets with 63% of the total. The five other main countries accounted for a total of 33% of outstanding assets versus 29% as of December 31, 2009. Geographic diversification remained significant.

The trend in the relative proportion of assets by country can be analyzed as follows (%).

%	12/31/2009	9/30/2010
France	65.9	63.0
Italy	10.0	9.5
Switzerland	5.7	5.5
Belgium	5.8	9.9
Spain	4.4	5.0
Luxembourg	3.1	3.0
Sub-total	94.9	95.9
Other countries	5.1	4.1
TOTAL	100.0	100.0

The decrease in “Other countries” corresponds to the maturity of exposures on Greek (EUR 0.3 billion) and Irish (EUR 0.2 billion) sovereign issues. As of September 30, 2010, exposures on “Other countries” could be broken down as follows.

Other countries (%)	9/30/2010
Germany	1.1
United Kingdom	0.9
Sweden/Finland	0.6
Greece	0.5
Austria	0.3
USA	0.3
Portugal	0.2
Iceland	0.2
TOTAL	4.1

b. Replacement assets

As of September 30, 2010, replacement assets represented a total of EUR 6.8 billion, entirely comprised of covered bonds issued by Dexia Group entities. These assets are analyzed in the following table, as are certificates of deposit with maturity of less than 100 days issued by Dexia Credit Local. They represented 10.1% of outstanding *obligations foncières* and registered covered bonds, which totaled EUR 66.6 billion in swapped value. Their amount is limited by law to 15%.

Replacement assets	Country	Issuer	EUR millions		
			12/31/2008	12/31/2009	9/30/2010
<i>Cedulas territoriales</i>	Spain	Dexia Sabadell	3,200	3,200	3,800
<i>Lettres de gage</i>	Luxemburg	Dexia LDG Banque	2,600	2,350	2,350
<i>Certificats de dépôt</i>	France	Dexia Credit Local	-	-	600
TOTAL			5,800	5,550	6,750

3.3 ASSET QUALITY

Dexia Municipal Agency’s pool of assets is exclusively composed of exposures on public sector entities or issues guaranteed by the same. It is therefore of excellent quality, with minor sensitivity to the current financial crisis.

a. Quality of the assets in the portfolio

Dexia MA’s portfolio of assets is made up of loans and bonds.

Loans and advances. Loans and most of the bonds held by Dexia MA are classified in the “Loans and advances” portfolio according to IFRS, corresponding to an intention to hold the bonds until maturity. They are valued at their historical cost and, if necessary, are covered by provisions for impairment when there is a risk of non-payment.

In addition, collective provisions are calculated to cover the risk of loss in value on the different “Loans and advances” portfolios. They are estimated on the basis of each portfolio’s past performance and trends, and on the borrower’s economic

environment. Their calculation combines probabilities of default (PD) and loss given default (LGD) based on credit risk models designed by Dexia within the framework of Basel II (on this point, see note 7.2.b to the financial statements).

These collective provisions are, however, much greater than the real risk, for the method applied does not take into account the guarantees received.

EUR millions	12/31/2009	9/30/2010
Specific impairment	0.9	1.3
Collective impairment	14.4	17.1

These provisions corresponded to outstanding “loans and advances” of EUR 78.5 billion at the end of September 2010. The low amounts in question testify to the very minor risk and the overall high quality of the portfolio.

AFS securities. In particular because of their liquidity, certain securities remain classified as available for sale (AFS), and are valued for accounting purposes on the basis of their fair value. The difference between this valuation and their accounting value gives rise to an AFS reserve that can be positive or negative. These reserves would only represent losses if Dexia MA were to sell these securities, but Dexia MA acquired these assets with the intention of holding them to maturity.

AFS portfolio	Outstanding Amount 9/30/2010	AFS Reserves 9/30/2010
EUR million		
Germany	295	- 5
Canada	23	- 2
Greece	321	- 104
Italy	506	- 111
USA	145	- 1
France	600	-
Total AFS bonds	1 890	- 217

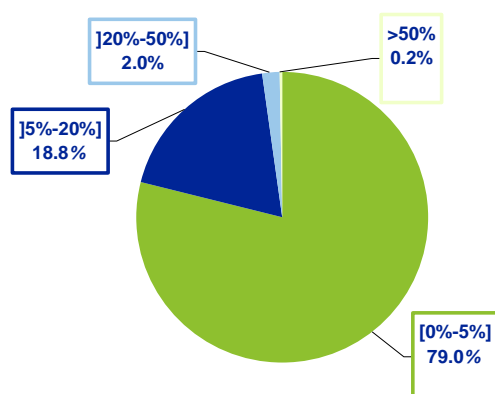
The AFS reserve for Greek and Italian sovereign issues was down significantly in 2010 (respectively EUR -52 million and EUR -68 million), reflecting the lack of confidence in these countries and weighing on the market value of these debt securities.

b. Breakdown of exposure according to Basel II

The quality of Dexia Municipal Agency’s portfolio can also be seen in the weighting of its assets within the framework of the calculation of the Group’s solvency ratio. The Dexia Group chose the advanced method applied in the reform of the solvency ratio and capital adequacy on the basis of Basel II criteria. Banking supervisors (the Banking Commission in France and the CBFA in Belgium) authorized the Group to use advanced internal models for the calculation and reporting of equity requirements for credit risk as of January 1, 2008.

This enables Dexia MA to present in the following table an analysis of its exposures, broken down by risk weighting, such as used for the calculation of equity requirements for credit risk.

Risk weighting (Basel II) of Dexia MA's portfolio as of September 30, 2010



These weightings are primarily calculated on the basis of the probability of default (PD) and loss given default (LGD). This analysis confirms the excellent quality of the assets in DMA's portfolio, since 79% of the portfolio assets have a weighting that is less than 5%, and almost 98% of the portfolio assets have a weighting that is less than or equal to 20%.

c. Exposure to subprimes, monolines, ABS and banks

Exposure to subprimes and other mortgage loans

Dexia MA has no exposure to mortgage loans, whether subprime or prime. The authorization granted to Dexia MA by the Banque de France (CECEI) only allows the Company to finance exposures on public sector entities (central governments, local governments, public organizations, etc.) or entities that are entirely and unconditionally guaranteed by public sector entities (excluding replacement assets).

Exposure to monoline insurers

In its public sector bond portfolio, Dexia MA holds four issues of large French and Spanish local governments with credit enhancement by a monoline insurer. The breakdown of these exposures is presented in the following table.

Issuer	Country	ISIN code	Amount EUR millions	Monoline Insurer
Communauté urbaine de LILLE	France	US203403AB67	9.6	AMBAC
Ville de TOURS	France	FR0000495517	1.0	MBIA
Ville de TOURS	France	FR0000495632	8.5	MBIA
Feria internacional de VALENCIA	Spain	ES0236395036	50.0	FSA
TOTAL			69.1	

They represent less than 0.1% of the assets of Dexia MA. The credit enhancement was not a factor in the decision to invest in these bonds, given the quality of the issuers.

Exposure in the form of asset-backed securities (ABS)

Dexia MA has a limited number of exposures in the form of ABS.

Issuer	ISIN code	Amount EUR millions
DSFB - Dexia Secured Funding Belgium SIC (DSFB 1)	BE0933050073	1,459.8
DSFB - Dexia Secured Funding Belgium SIC (DSFB 2)	BE0934330268	1,455.5
DSFB - Dexia Secured Funding Belgium SIC (DSFB 4)	BE6000495752	4,391.7
DCC - Dexia Crediop per la Cartolarizzazione SRL (DCC 1)	IT0003674691	787.1
DCC - Dexia Crediop per la Cartolarizzazione SRL (DCC 2)	IT0003941124	728.8
DCC - Dexia Crediop per la Cartolarizzazione SRL (DCC 3)	IT0004349665	2,169.2
Sub-total		10,992.1
Blue Danube Loan Funding GmbH	XS0140097873	82.4
Colombo SRL	IT0003156939	7.9
Societa veicolo Astrea SRL	IT0003331292	1.3
Sub-total		91.6
TOTAL		11,083.7

Most of these exposures are asset-backed securities especially designed by Dexia to transfer to Dexia MA exposures on Italian and Belgian local governments originated by its commercial network.

Dexia MA thus holds almost all of the debt issued by DCC and DSFB, with the remainder held by the Dexia Group entity that originated the assets (Dexia Crediop and Dexia Bank Belgium). The composition of the DCC and DSFB portfolios is presented at the end of this report.

The other ABS have the following characteristics:

- Blue Danube Loan Funding GmbH is governed by Austrian law, rated AA+ by Standard & Poor's, and its debt is irrevocably guaranteed by the Land of Lower Austria;
- Colombo SRL (rated AAA by S&P and Aaa by Moody's) and Societa veicolo Astrea SRL (rated AA- by Fitch and Aa2 by Moody's) are both Italian companies with assets that are exclusively loans to the Italian public sector (regions, municipalities, etc).

Exposure to banks

Dexia MA holds two types of exposure to banks:

- its replacement assets, solely made up of covered bonds issued by Dexia Group entities (*cedulas territoriales* of Dexia Sabadell and *lettres de gage* issued by Dexia LdG Banque – see above III.2.b);
- the value of its derivative contracts entered into within the framework of its management of interest rate and foreign exchange risks.

All of Dexia MA's derivative operations are conducted within the framework of standard ISDA or AFB contracts with major international banks (33 counterparties, excluding the Dexia Group). These contracts have particular characteristics, since they must meet the standards set by rating agencies for *sociétés de crédit foncier* (and other issuers of covered bonds). These interest rate and currency swaps all benefit from the same legal privilege as *obligations foncières*. For this reason, Dexia MA does not pay its derivative counterparties any collateral, whereas they have to pay Dexia MA unless they benefit from the agencies' highest short-term rating.

As of September 30, 2010, Dexia MA was exposed (positive fair value of the swaps) on 14 banking counterparties. Nine of these paid collateral, which offset the

exposure, and five paid none because of their very high rating. These five counterparties represented an exposure of EUR 829 million.

Long-term derivatives signed with the five largest external counterparties represented a total of 34.2% of the notional amounts and those signed with the Dexia Group 23.5%.

(4. CHANGE IN DEBT BENEFITING FROM THE LEGAL PRIVILEGE IN THE FIRST NINE MONTHS OF 2010

Dexia Municipal Agency issued the equivalent of EUR 7.6 billion since the beginning of the year 2010, versus EUR 6.9 billion for the same period in 2009 and EUR 8.0 billion for the year 2009.

The pace of issues in recent quarters was as follows.

EUR millions	2009	2010
1Q	305	3,134
2Q	4,258	2,227
3Q	2,310	2,244
4Q	1,087	
TOTAL	7,960	7,605

In the first half of 2010, three benchmark issues were launched, with the following characteristics:

- EUR 1.0 billion, maturity January 2022 (12 years),
- EUR 1.0 billion, maturity February 2018 (8 years),
- EUR 1.0 billion, maturity July 2015 (5 years).

In the third quarter of 2010, two new *souches* were issued in a public exchange offer, with the following characteristics:

- EUR 1.25 billion, maturity January 2016 (5 years),
- EUR 0.75 billion, maturity September 2020 (10 years).

This public exchange offer was launched by DMA in order to extend the life of its outstanding *obligations foncières* to bring it into line with that of its long-term public sector assets. The advantage for investors was that they could exchange their shortest *souches*, which had become less liquid, for new *souches* that were longer and more liquid. The *obligations foncières* exchanged (EUR 0.9 billion), combined with new subscriptions, led to the issue of the two new *souches* mentioned above.

The year's other public issues represented a tap of the Swiss franc *souche* with maturity in May 2018 (CHF 160 million) and taps of euro benchmark *souches* with maturity in September 2016 (EUR 250 million), June 2021 (EUR 150 million), July 2015 (EUR 200 million), and January 2022 (EUR 500 million), bringing the respective totals to EUR 2.0 billion, EUR 1.65 billion, EUR 1.2 billion and EUR 1.5 billion.

The year's private placements partially took the form of registered covered bonds, a private placement format designed for German investors. These issues make it possible to meet the specific needs of certain investors with speed and flexibility.

The breakdown of new production between public sector issues and private placements can be analyzed as follows.

EUR millions	2009	2010 (9 months)
Public issues	5,719	6,209
Private placements	2,241	1,396
<i>including :</i>		
<i>RCB</i>	1,838	477
<i>Less than 2 years</i>	150	
TOTAL	7,960	7,605

As in 2009, the average maturity of new issues was long in order to maintain at a low level the average gap in maturity between commercial assets, which are traditionally long in the public sector, and issues of *obligations foncières*. The average maturity of new issues was thus 9.0 years in the first nine months of 2010 and 12.4 years for the year 2009, whereas it had been only 5.7 years in 2008, as a result of the financial crisis.

Dexia MA's issues in 2010 were primarily in euros.

EUR millions	2009	2010 (9 months)
EUR	7,696	7,426
CHF	264	179
TOTAL	7,960	7,605

After reimbursement of EUR 5.8 billion, outstanding *obligations foncières* and registered covered bonds at the end of September 2010 totaled EUR 66.6 billion in swapped value.

EUR millions	2009	2010 (9 months)
Beginning of the year	63,591	64,785
Issues	7,960	7,605
Emissions versées après le dernier jour du mois	0	0
Reimbursements	(6,766)	(5,827)
TOTAL	64,785	66,563

(swapped value)

(5. CHANGES IN THE COVERAGE RATIO

The coverage ratio, which is calculated on the basis of regulatory standards governing *sociétés de crédit foncier*, is the ratio between the assets and the resources benefiting from the legal privilege.

Dexia Municipal Agency decided to maintain a minimum regulatory coverage ratio of 105%, which is considered a safe margin. In practice, given the rate of asset turnover from the Group's commercial activity and asset transfers, the coverage ratio is regularly higher than 105%, as can be seen at the end of each month, when over-

collateralization makes it possible to launch issues in the following month. The rating agencies may require a level of over-collateralization of more than 5%. This requirement depends on the methodology applied and on the new assets and liabilities on Dexia MA's balance sheet, and it may vary over time. Dexia MA takes these particular requirements into account in the management of its activity, in order to make sure they are always respected.

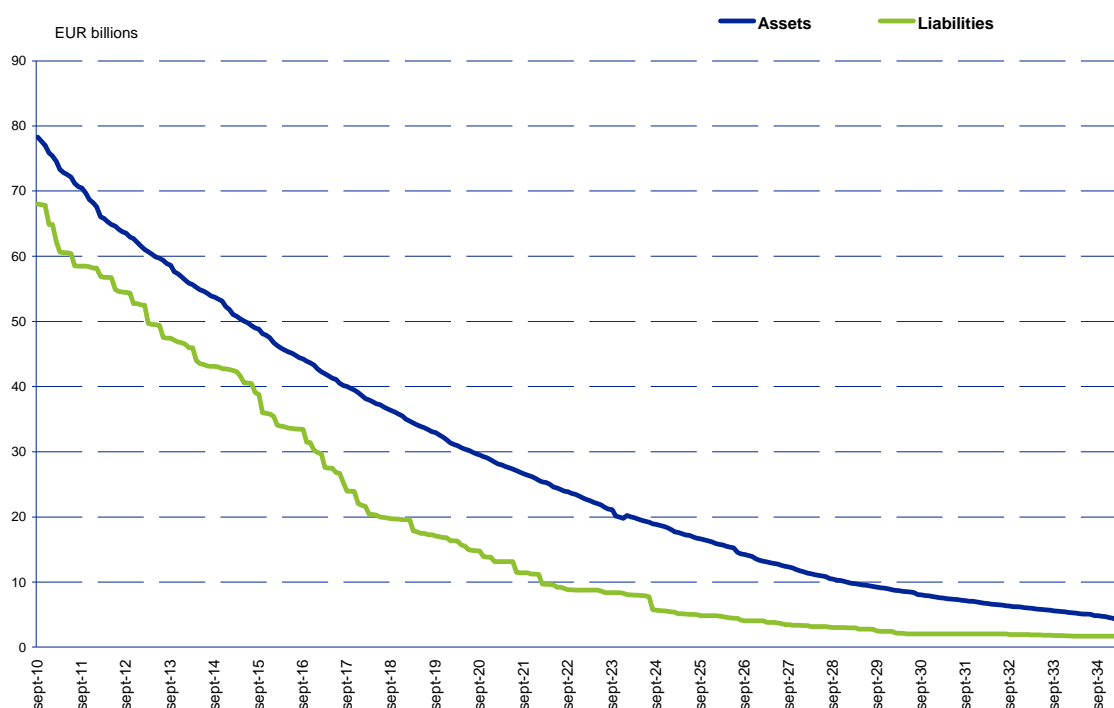
The following table analyzes the trend in over-collateralization at the end of the last 12 months.

4th quarter 2009		1st quarter 2010		2nd quarter 2010		3rd quarter 2010	
Oct-09	110.7%	Jan-10	113.4%	Apr-10	116.6%	Jul-10	113.4%
Nov-09	108.4%	Feb-10	110.8%	May-10	115.3%	Aug-10	114.4%
Dec-09	111.6%	Mar-10	112.1%	Jun-10	114.1%	Sep-10	111.7%

This table shows how far advanced Dexia MA was in stockpiling assets in the first part of the year. These surplus assets, which are financed by the current account with Dexia Credit Local, provided the resources for issues launched in September within the framework of the public exchange offer. The ratio at the end of September 2010 returned to the level at which it stood at the beginning of the year.

If any, the assets Dexia MA may have given in guarantee to obtain financing from the Banque de France are excluded from the calculation of over-collateralization.

The following graph on over-collateralization presents amortization curves of the assets and of issues benefiting from the legal privilege as of September 30, 2010.



(6. CHANGES IN DEBT THAT DOES NOT BENEFIT FROM THE LEGAL PRIVILEGE

The asset surplus (with reference to *obligations foncières*, registered covered bonds and shareholders' equity) and miscellaneous needs are financed by debt that does not benefit from the privilege of the law on *sociétés de crédit foncier*.

This financing is borrowed from Dexia Credit Local within the framework of a current account agreement. The agreement distinguishes several sub-accounts that make it possible to analyze this financing by category:

- to finance structural over-collateralization in the medium term;
- to finance temporary over-collateralization in the short term, using the current account.

In addition, Dexia MA holds at any time written commitments from Dexia Credit Local for irrevocable and on first demand financing covering the reimbursements of *obligations foncières* in the next 12 months.

Temporary financing may also be obtained from the Banque de France. These funds do not benefit from the privilege stipulated in the law on *sociétés de crédit foncier*, but they are guaranteed by loans and securities deposited in guarantee in the account of Dexia MA at the Central Bank.

As of September 30, 2010, Dexia MA had no debt vis-à-vis the Banque de France, and its debt vis-à-vis Dexia Credit Local totaled EUR 10.5 billion, excluding accrued interest not yet due. The latter debt could be analyzed according to the above-mentioned categories as follows:

- to finance structural over-collateralization of 5%: EUR 3.5 billion*;
- to finance surplus over-collateralization, using the current account: EUR 7.0 billion.

* *The amortization profile of this long-term loan was designed to finance, at any time, an amount equal to 5% of outstanding obligations foncières as well as the haircut that the Banque de France would administer to assets temporarily given in guarantee to meet future funding needs (in a stress scenario in which these needs could not be covered by the covered bond market or by advances granted by Dexia Credit Local).*

Changes in financing that does not benefit from the legal privilege, excluding accrued interest not yet due, can be presented as follows.

EUR billions	Dexia Credit Local	Banque de France	TOTAL
12/31/2007	10.4		10.4
12/31/2008	4.4	7.5	11.9
12/31/2009	10.4		10.4
6/30/2010	12.3		12.3
9/30/2010	10.5		10.5

Dexia MA participated in the tenders launched by the Banque de France in the final quarter of 2008 and the first six months of 2009, in order to finance its new commercial production when the primary market was for all practical purposes closed.

(7. MANAGEMENT OF BALANCE SHEET RISKS

The strategies implemented to hedge interest rate and foreign exchange risks are reflected in the notional outstanding swaps analyzed in the table below between external and Dexia Group counterparties, as of September 30, 2010.

Breakdown of outstanding swaps as of September 30, 2010	Notional (EUR billions)	Dexia Group (%)	Other counterparties (%)
<u>Euribor against Eonia</u>			
Macro-hedges	138.6	100.0%	0.0%
<u>Fixed rate swaps against Euribor</u>			
Micro-hedges on <i>obligations foncières</i>	51.8	3.5%	96.5%
Micro-hedges on loans and debt securities	29.0	23.3%	76.7%
Macro-hedges on loans	21.1	61.5%	38.5%
Sub-total	102.0	22.4%	77.6%
<u>Currency swaps</u>			
Micro-hedges on <i>obligations foncières</i>	12.8	17.6%	82.4%
Micro-hedges on loans	4.9	58.5%	41.5%
Micro-hedges on debt securities	1.2	59.8%	40.2%
Sub-total	18.9	29.3%	70.7%
<u>Total long-term swaps*</u>	120.9	23.5%	76.5%

* absolute value

7.1 INTEREST RATE RISK

The management of interest rate risk involves two steps.

- In the first stage, all the assets and liabilities benefiting from the privilege and which do not naturally have a floating rate are swapped against Euribor until maturity as soon as they are recorded on the balance sheet. A residual fixed rate gap remains on certain fixed rate assets that are hedged by macro swaps (in particular, small loans to clients). This gap is monitored within very strict limits.
- In the second step, Euribor lending and borrowing flows are swapped against Eonia over a sliding period of two years in order to eliminate the interest rate risk generated by differences in fixing dates. A residual gap remains after the first and second levels of hedging and is also monitored within strict limits.

In addition, any debt contracted with Dexia Credit Local to finance over-collateralization is directly borrowed with a monetary index and does not have to be swapped. If such is the case, debt vis-à-vis the Banque de France, which is short-term and at a fixed rate, is not hedged, but used to finance assets that also have a fixed rate.

The objective targeted by this interest rate risk management is to convert the assets and liabilities on the balance sheet into floating rates, so that they move together in a parallel manner following the trend in interest rates, while maintaining the margin unchanged.

The sensitivity limits for the fixed rate gap and the monetary gap mentioned above are defined as the change in the gaps' net present value (NPV) under the impact of a

parallel 1% (100 basis points) shift in the yield curve. The aggregate of these two limits for the fixed rate gap and the monetary gap is set at 3% of shareholders' equity, and this figure is reviewed every year at the end of the first quarter. The total sensitivity level was EUR 30.5 million until the first quarter of 2010 and was adjusted to EUR 35.0 million as of the second quarter of 2010, including EUR 9.0 million for the monetary gap and EUR 26.0 million for the fixed rate gap. In practice, the real sensitivity is maintained significantly below this limit, as can be seen in the following table.

		Average	Maximum	Minimum	Limit
Fixed Rate	4Q 2009	9.7	15.2	6.5	26.0
	1Q 2010	13.8	18.3	11.0	26.0
	2Q 2010	18.1	22.6	15.6	26.0
	3Q 2010	19.4	29.9	12.2	26.0
Monetary	4Q 2009	0.5	4.7	-	4.5
	1Q 2010	2.0	4.4	-	4.5
	2Q 2010	0.6	4.6	-	9.0
	3Q 2010	1.0	2.8	0.1	9.0
Total	4Q 2009	10.3	15.0	6.7	30.5
	1Q 2010	15.5	20.0	10.1	30.5
	2Q 2010	18.9	23.1	14.6	35.0
	3Q 2010	20.3	31.7	12.6	35.0

The maximum fixed rate sensitivity limit was exceeded at the beginning of August 2010. This incident was linked to the August 1, 2010, recognition by Dexia MA of EUR 1 billion in French loans originated by Dexia Credit Local, which disrupted the calculation of the sensitivity of Dexia MA. It should be noted that this event did not cause the overall sensitivity limit to be exceeded, since it reached a maximum of EUR 31.7 million in this period, i.e. under the overall limit of EUR 35 million.

7.2 FOREIGN EXCHANGE RISK

Dexia Municipal Agency takes no foreign exchange risks. Assets and liabilities originally in currencies other than the euro are swapped against euros when they are recognized on Dexia MA's balance sheet and until their complete extinguishment.

7.3 TRANSFORMATION RISK

The difference in maturity between the assets and the liabilities may create a liquidity risk. Dexia MA's management rule involves a commitment not to allow a duration gap of more than three years between the assets and the resources benefiting from the legal privilege. The actual duration gap remains under this limit, as can be seen in the table below.

Duration in years	9/30/2009	12/31/2009	3/31/2010	6/30/2010	9/30/2010
Assets	6.62	6.88	6.81	6.95	7.25
Privileged liabilities	5.13	4.95	5.23	5.35	5.29
Gap in asset-liability duration	1.49	1.93	1.58	1.60	1.96
<i>Duration gap limit</i>	3	3	3	3	3

The duration gap between the assets and the liabilities is closely monitored since it is sensitive to cash flow (net present value) and to significant changes in assets and liabilities. The new issues, which are longer, help reduce this gap and keep it under two years on a regular basis.

7.4 LIQUIDITY RISK

The liquidity risk can be defined as the risk that Dexia MA may not be able to settle its privileged debt commitments at the due date owing to the fact that there is too great a gap between the reimbursement of the assets and the mobilization of its privileged resources. To manage this risk, Dexia MA has put a ceiling on its transformation capacity by limiting to three years the maximum duration gap between the assets and the resources benefiting from the privilege. This rule enables it to limit the volume of its liquidity needs. From a structural point of view, Dexia MA has therefore little exposure to the liquidity risk.

In order to meet its liquidity needs, Dexia MA may first make use of the backing of its parent company Dexia Credit Local, which has committed in its “declaration of support” (the full text is incorporated into the EMTN programme and Dexia MA’s annual report) so that Dexia MA “has the financial resources it needs to meet its obligations.”

This support takes the following forms:

- An unlimited current account facility, with Dexia Credit Local;
- a firm and irrevocable commitment by Dexia Credit Local to make available to Dexia MA the funds it requires to reimburse *obligations foncières* of more than EUR 100 million that reach maturity in the coming 12 months on a sliding scale.

In addition, Dexia has its own solid resources that enable it to cover its temporary liquidity needs, even in the event of the default of its parent company, since any legal proceedings engaged for the bankruptcy or liquidation of its parent company cannot be extended to Dexia MA (article L.515-21 of the Monetary and Financial Code).

Because of the nature of the assets that make up its cover pool, Dexia MA has a large number of assets that are directly eligible for refinancing by the Central Bank, so that its cash needs are easily covered.

Since it is a credit institution, Dexia MA can post these eligible assets:

- either by using, in its own name, the refinancing possibilities offered by the European Central Bank via the Banque de France;
- or by using interbank financing in the form of repurchase agreements.

In practice, Dexia MA first uses the financing made available by Dexia Credit Local , but it has also demonstrated its real capacity to obtain financing from the Banque de France when the primary covered bond market remained closed from September 2008 to June 2009. During this period, the funds borrowed by Dexia MA from the Central Bank totaled a maximum of EUR 7.5 billion at the end of 2008. This amount was much greater than the maximum cumulated liquidity needs that Dexia MA might have to face in the future in a run-off situation.

In addition, Dexia MA manages its liquidity risk by means of the three following indicators:

- the liquidity ratio for one month (regulatory statement to the Banking Commission);
- the duration gap between the assets and the resources benefiting from the legal privilege (limited to three years), which is published quarterly;
- cash requirements over the next 180 days: Dexia MA's management enables it to provide structural coverage for its liquidity needs up to the extinguishment of the privileged liabilities by assets eligible for refinancing by the Banque de France. Moreover, Dexia MA ensures that at any time, its cash requirements over a period of 180 days are covered by replacement assets, assets eligible for credit operations with the Banque de France, or by refinancing agreements signed with credit institutions with the best short-term credit quality.

(8. INCOME FOR THE PERIOD (IFRS)

Dexia MA publishes its financial statements according to IFRS in order to ensure a better understanding and greater comparability of its accounts internationally. The rules applied by Dexia MA are the same as those applied by the Dexia Group and are consistent with IFRS, as adopted by the European Commission.

The income statement for the first nine months of 2010 is presented synthetically in the following table.

EUR millions - IFRS	9 months 2009	2009 full year	9 months 2010	Change 9 months 2010/2009
Interest margin	243	300	188	
Net commissions	(4)	(5)	(5)	
Net result of hedge accounting	-	-	1	
Net result of financial assets available for sale	22	28	14	
Other income and expense	-	-	-	
NET BANKING INCOME	261	323	198	-24%
General operating expenses	(65)	(87)	(68)	
Taxes	(4)	(5)	(6)	
OPERATING INCOME BEFORE COST OF RISK	192	231	124	-35%
Cost of risk	(1)	(5)	(3)	
PRE-TAX INCOME	191	226	121	-37%
Income tax	(59)	(80)	(40)	
NET INCOME	132	146	81	-39%

In the first half of 2010, Dexia MA's accounting team identified an anomaly in the information system that generated an excessive valuation of interest charges in 2009 and at the beginning of 2010. In accordance with IAS 8-49, the Company restated its published financial statements and the notes to its financial statements for the periods prior to June 30, 2010.

The restatements are specified in the notes to the financial statements, which set down the rules of presentation and evaluation. They had a positive impact on the interest margin for the first nine months of 2009 and the year 2009, respectively, of EUR 10 million and EUR 18 million, i.e. a positive impact on net income (after taxes) of respectively EUR 7 million and EUR 12 million.

Net banking income was down 24%, i.e. EUR 63 million, from the same period in 2009, declining from EUR 261 million to EUR 198 million. It should nevertheless be noted that net banking income for the second quarter of 2009 was particularly high and atypical (some EUR 60 million more than usual quarterly income).

The decrease was principally due to the interest margin, down EUR 55 million, while the net result on financial assets available for sale decreased by EUR 8 million.

The interest margin corresponds to the difference between income from the assets and the cost of the liabilities (hedged against interest rate and foreign exchange risks). It basically increases in function of changes in the volume and margins of new operations. The decrease in this margin, observed between 2009 and 2010, corresponded:

- to an exceptionally high margin in the second quarter of 2009, under the favorable impact of changes in the cash swap spread on the structure of Dexia MA's balance sheet (over-collateralization assets in Euribor financed by resources naturally in Eonia through the Dexia Credit Local current account);
- to the worsening of funding conditions on issues launched in the last 12 months

The item "Net result on financial assets available for sale" included penalties received for early reimbursement of customer loans (EUR 4 million) and gains reported on early reimbursement of debt (EUR 10 million). In the first nine months of 2009, these gains were respectively EUR 3 million and EUR 7 million, to which should be added capital gains on divestments of EUR 12 million.

Operating expenses are mainly comprised of commissions paid to Dexia Credit Local for the operational management of the Company within the framework of the contract described in article L.515-22 of the Monetary and Financial Code. They increased in comparison with the previous year. In fact, the amount of operating expenses is closely linked to the volume of loans managed, which grew in the last 12 months.

The cost of risk was at an extremely low level, reflecting the excellent quality of the assets.

The average corporate tax rate (including deferred taxes) was rather stable. It corresponded to French and Irish tax rates.

Net income for the period was down 39%, i.e. EUR 51 million, declining from EUR 132 million to EUR 81 million.

(9. OUTLOOK FOR THE END OF 2010

The volume of issues by Dexia MA in the first three quarters corresponded to the objective that had been set and to the funding needed to finance local public sector loans in 2010. No public issue will therefore be required in the last quarter of the year. Private placements will suffice to satisfy the needs of specific investors.

Dexia MA will use this period to prepare for the arrival of public assets that will be necessary to implement its issue programme for 2011.

Loans to local governments and bonds as of 9/30/2010
(EUR millions)

France	9/30/2010			12/31/2009		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	228.1	0.0	228.1	228.1	0.0	228.1
Regions	1,954.8	112.4	2,067.2	2,005.6	161.8	2,167.4
Departments	6,444.2	0.0	6,444.2	6,504.4	0.0	6,504.4
Municipalities	18,662.2	152.3	18,814.5	18,899.7	117.9	19,017.6
Groups of municipalities	10,456.7	127.4	10,584.1	10,358.3	128.1	10,486.4
Public sector entities	10,084.9	0.0	10,084.9	9,868.2	0.0	9,868.2
Loans guaranteed by local governments	1,833.8	0.0	1,833.8	1,664.5	0.0	1,664.5
Credit institution (certificate of deposit)	0.0	600.0	600.0	0.0	1,400.0	1,400.0
TOTAL	49,664.7	992.1	50,656.8	49,528.8	1,807.8	51,336.6

Austria	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Länder	206.5	0.0	206.5	210.0	0.0	210.0
ABS	0.0	82.4	82.4	0.0	83.8	83.8
TOTAL	206.5	82.4	288.9	210.0	83.8	293.8

Portugal	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Regions	0.0	0.0	0.0	0.0	0.0	0.0
Municipalities	99.3	0.0	99.3	105.1	0.0	105.1
Public sector entities	10.7	0.0	10.7	11.6	0.0	11.6
Securities guaranteed by the State or by local governments	0.0	47.5	47.5	0.0	47.5	47.5
TOTAL	110.0	47.5	157.5	116.7	47.5	164.2

Iceland	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Securities guaranteed by the State or by local governments	0.0	180.4	180.4	0.0	180.4	180.4
TOTAL	0.0	180.4	180.4	0.0	180.4	180.4

Finland	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	0.0	0.0	0.0	0.0	0.0	0.0
Municipalities	36.0	0.0	36.0	41.0	0.0	41.0
Public sector entities	55.6	0.0	55.6	58.0	0.0	58.0
TOTAL	91.6	0.0	91.6	99.0	0.0	99.0

Greece	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	0.0	321.2	321.2	300.0	321.2	621.2
Loans guaranteed by the State or by local governments	0.0	0.0	0.0	0.0	0.0	0.0
Securities guaranteed by the State or by local governments	0.0	100.0	100.0	0.0	100.0	100.0
TOTAL	0.0	421.2	421.2	300.0	421.2	721.2

Italy	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
State	0.0	506.3	506.3	0.0	506.3	506.3
Regions	0.0	1,520.7	1,520.7	0.0	1,533.2	1,533.2
Provinces	0.0	198.1	198.1	0.0	203.6	203.6
Municipalities	14.6	1,575.4	1,590.0	15.0	1,609.6	1,624.6
ABS	0.0	9.1	9.1	0.0	12.8	12.8
Securities issued by DCC (see note 1 below)	0.0	3,685.1	3,685.1	0.0	3,835.8	3,835.8
Securities guaranteed by the State or by local governments	0.0	103.0	103.0	0.0	106.0	106.0
TOTAL	14.6	7,597.7	7,612.3	15.0	7,807.3	7,822.3

Spain	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
<i>Cedulas territoriales</i>	0.0	3,800.0	3,800.0	0.0	3,200.0	3,200.0
Region	0.0	178.6	178.6	0.0	178.9	178.9
Securities guaranteed by the State or by local governments	0.0	50.0	50.0	0.0	49.4	49.4
TOTAL	0.0	4,028.6	4,028.6	0.0	3,428.3	3,428.3

MANAGEMENT REPORT

	9/30/2010			12/31/2009		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Switzerland						
Cantons	1,557.0	0.0	1,557.0	1,391.4	0.0	1,391.4
Municipalities	1,238.9	0.0	1,238.9	1,134.3	0.0	1,134.3
Public sector entities	112.4	0.0	112.4	101.1	0.0	101.1
Loans guaranteed by local governments	1,519.8	0.0	1,519.8	1,837.8	0.0	1,837.8
TOTAL	4,428.1	0.0	4,428.1	4,464.6	0.0	4,464.6
Belgium						
Regions	316.0	65.8	381.8	382.2	93.3	475.5
Communities	74.4	0.0	74.4	74.4	125.0	199.4
Public sector entities	88.3	0.0	88.3	91.6	0.0	91.6
State	0.0	0.0	0.0	0.0	374.0	374.0
Securities guaranteed by the State or by local governments	0.0	0.0	0.0	0.0	15.0	15.0
Securities issued by DSFB (see note 2 below)	0.0	7,307.0	7,307.0	0.0	3,271.7	3,271.7
Loans guaranteed by the State or by local governments	98.4	0.0	98.4	112.5	0.0	112.5
TOTAL	577.1	7,372.8	7,949.9	660.7	3,879.0	4,539.7
Germany						
Länder	0.0	503.1	503.1	0.0	503.1	503.1
Pfandbriefe	0.0	0.0	0.0	0.0	0.0	0.0
Securities guaranteed by the State or by local governments	0.0	302.0	302.0	0.0	302.9	302.9
TOTAL	0.0	805.1	805.1	0.0	806.0	806.0
United States						
States	0.0	253.0	253.0	0.0	252.9	252.9
Municipalities	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	253.0	253.0	0.0	252.9	252.9
Sweden						
Municipalities	129.1	0.0	129.1	137.8	0.0	137.8
Loans guaranteed by local governments	242.8	0.0	242.8	262.7	0.0	262.7
TOTAL	371.9	0.0	371.9	400.5	0.0	400.5
Canada						
Provinces	0.0	22.4	22.4	0.0	22.4	22.4
Municipalities	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	22.4	22.4	0.0	22.4	22.4
United Kingdom						
Securities guaranteed by the State or by local governments	0.0	688.7	688.7	0.0	725.3	725.3
TOTAL	0.0	688.7	688.7	0.0	725.3	725.3
Luxembourg						
Lettres de gage	0.0	2,350.0	2,350.0	0.0	0.0	0.0
Securities guaranteed by the State or by local governments	0.0	64.9	64.9	0.0	2,443.8	2,443.8
TOTAL	0.0	2,414.9	2,414.9	0.0	2,443.8	2,443.8
Japan						
Municipalities	0.0	25.0	25.0	0.0	25.0	25.0
TOTAL	0.0	25.0	25.0	0.0	25.0	25.0

Ireland	9/30/2010			12/31/2009		
	Loans to local governments	Bonds	Total	Loans to local governments	Bonds	Total
Securities guaranteed by the State	0.0	0.0	0.0	0.0	170.0	170.0
TOTAL	0.0	0.0	0.0	0.0	170.0	170.0
GENERAL TOTAL *	55,464.5	24,931.8	80,396.3	55,795.3	22,100.7	77,896.0
* Excluding premiums and discounts						
Premiums and discounts on securities		(13.1)			(17.3)	
Translation adjustments on securities		(147.5)			(217.2)	
Value of securities on the balance sheet (French accounting standards)		24,771.2			21,866.2	
<i>Premiums and discounts are recorded in accruals.</i>						

NOTE 1:

The DCC securities, in the amount of EUR 3,737.4 million as of September 30, 2010, were subscribed by Dexia MA for EUR 3,685.1 million. The purpose of this securitization vehicle created by Dexia Crediop is to allow refinancing by Dexia MA of Italian public sector assets transferred by Dexia Crediop to DCC. The securities held by Dexia MA benefit from the guarantee of Dexia Crediop and are consequently rated A by Fitch, A by Standard & Poor's and A2 by Moody's. As of September 30, 2010, the assets held by DCC (series 1-2-3) could be broken down as follows:

NOTE 2:

The DSFB securities, in the amount of EUR 7,362.2 million as of September 30, 2010, were subscribed by Dexia MA for EUR 7,307.0 million. The purpose of this securitization vehicle created by Dexia Bank Belgium is to allow refinancing by other Dexia Group entities of assets generated by Dexia Bank Belgium. The securities held by Dexia MA benefit from the guarantee of Dexia Bank Belgium, and are consequently rated, regarding the compartment, A+ by Fitch, A or unrated by Standard and Poor's and A1 by Moody's. The securities issued by DSFB IV are not guaranteed by Dexia Bank Belgium and are rated AA by Fitch. As of September 30, 2010, the assets held by DSFB (Compartment I, II and IV) were Belgian public-sector assets that could be broken down as follows:

Assets held as of September 30, 2010, by DCC - Dexia Crediop per la Cartolarizzazione

Italian assets	EUR millions
State	0.0
Regions	1,982.2
Provinces	671.4
Municipalities	1,076.1
DCC bank account with Dexia Bank Belgium	7.7
TOTAL	3,737.4

Assets held as of September 30, 2010, by DSFB - Dexia Secured Funding Belgium

Belgian assets	EUR millions
State	0.0
Regions	595.6
Provinces	3,487.7
Public sector entities	2,399.8
Groups of public sector entities	81.8
Loans guaranteed by local governments	797.3
Total	7,362.2



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FINANCIAL STATEMENTS
As of September 30, 2010
(IFRS)

BALANCE SHEET

(ASSETS

EUR millions	Note	9/30/2009	12/31/2009	9/30/2010
I. Central banks	2.1	16	4	2
II. Financial assets at fair value through profit or loss		0	0	0
III. Hedging derivatives	4.1	3,034	2,814	3,568
IV. Financial assets available for sale	2.2	5,434	3,304	2,003
V. Interbank loans and advances	2.3	8,180	7,810	8,277
VI. Customer loans and advances*	2.4	68,763	71,078	77,978
VII. Fair value revaluation of portfolio hedge		804	692	1,950
VIII. Financial assets held to maturity		0	0	0
IX. Current tax assets	2.5	2	4	9
X. Deferred tax assets	2.5	154	132	161
XI. Accruals and other assets	2.6	0	10	8
XII. Investments in associates		0	0	0
XIII. Investment property		0	0	0
XIV. Tangible fixed assets		0	0	0
XV. Intangible assets		0	0	0
XVI. Goodwill		0	0	0
TOTAL ASSETS		86,387	85,848	93,956

* Figures as of September 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of September 30, 2010 - Part Significant events

(LIABILITIES

EUR millions	Note	9/30/2009	12/31/2009	9/30/2010
I. Central banks	3.1	0	0	0
II. Financial liabilities at fair value through profit or loss		0	0	0
III. Hedging derivatives	4.1	5,486	5,806	8,120
IV. Interbank loans and deposits	3.2	12,328	10,352	10,477
V. Customer borrowings and deposits		0	0	0
VI. Debt securities	3.3	64,666	65,933	70,136
VII. Fair value revaluation of portfolio hedge		1,528	1,256	2,438
VIII. Current tax liabilities	3.4	11	3	13
IX. Deferred tax liabilities*	3.4	3	15	14
X. Accruals and other liabilities	3.5	1,392	1,481	1,753
XI. Provisions		0	0	0
XII. Subordinated debt		0	0	0
XIII. Shareholders' equity	3.6	973	1,002	1,005
XV. Capital stock and additional paid-in capital		1,060	1,060	1,190
XVI. Reserves and retained earnings		11	12	24
XVII. Unrealised or deferred gains and losses		(230)	(216)	(290)
XVIII. Net income		132	146	81
TOTAL LIABILITIES		86,387	85,848	93,956

* Figures as of September 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of September 30, 2010 - Part Significant events

INCOME STATEMENT

EUR millions	Note	3rd Q 2008	3rd Q 2009	3rd Q 2010
I. Interest income*	5.1	9,357	5,735	4,750
II. Interest expense	5.1	(9,173)	(5,492)	(4,562)
III. Fee and commission income	5.2	0	0	0
IV. Fee and commission expense	5.2	(3)	(4)	(5)
V. Net gains (losses) on financial instruments at fair value through p	5.3	0	0	1
VI. Net gains (losses) on financial assets available for sale	5.4	3	22	14
VII. Net result of hedge accounting and fair value option		0	0	0
VIII. Other income		0	0	0
IX. Other expense		0	0	0
X. Net banking income		184	261	198
XI. Operating expense	5.5	(69)	(69)	(74)
XII. Cost of risk	5.6	(1)	(1)	(3)
XIII. Operating income		114	191	121
XIV. Net gains (losses) on other assets		0	0	0
XV. Income before tax		114	191	121
XVI. Income tax*	5.7	(34)	(59)	(40)
XVII. Net income		80	132	81
<i>Earnings per share (in EUR)*</i>				
- Basic		8	12	7
- Diluted		8	12	7

* Figures as of September 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of September 30, 2010 - Part Significant events

NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH SHAREHOLDERS' EQUITY

EUR millions	3rd Q 2009	3rd Q 2010
I. Net income	132	81
II. Translation adjustments	0	0
III. Unrealised or deferred gains and losses of financial assets available for sale	100	(109)
IV. Unrealised or deferred gains and losses of cash flow hedges	89	8
V. Taxes	(62)	27
VI. Total of unrealised or deferred gains and losses through shareholders' equity	127	(74)
VII. Net income and unrealised or deferred gains and losses through shareholders' equity	259	7

SHAREHOLDERS' EQUITY

	Core shareholders' equity			Unrealised or deferred gains and losses			
	Capital stock, Additional paid-in capital	Retained earnings and net income for the period	Total	Net change in fair value of available for sale financial assets, after tax	Net change in fair value of hedging derivatives, after tax	Total	Shareholders' equity
EUR millions							
As of December 31, 2009, IFRS	1,060	158	1,218	(190)	(26)	(216)	1,002
<i>Movements during the period</i>							
- Capital stock	130	0	130	0	0	0	130
- Dividends	0	(134)	(134)	0	0	0	(134)
- Changes in fair value of available for sale financial assets through shareholders' equity	0	0	0	(79)	0	(79)	(79)
- Changes in fair value of hedging derivatives through shareholders' equity	0	0	0	0	5	5	5
- Changes in fair value of available for sale financial assets through profit and loss	0	0	0	0	0	0	0
- Changes in fair value of hedging derivatives through profit and loss	0	0	0	0	0	0	0
- Net income for the period	0	81	81	0	0	0	81
- Other movements	0	0	0	0	0	0	0
As of September 30, 2010, IFRS	1,190	105	1,295	(269)	(21)	(290)	1,005

Dexia MA has capital stock of EUR 1,190 million that is made up of 11,900,000 shares with a par value of EUR 100.

CASH FLOW STATEMENT

EUR millions	3rd Q 2008	3rd Q 2009	3rd Q 2010
Net income before taxes	114	191	121
+/- Amortization and depreciation and other impairment on fixed and intangible assets	0	0	0
+/- Depreciation and write-downs	1	2	3
+/- Expense/income from operating activities	(190)	306	196
+/- Expense/income from financing activities	171	(139)	(250)
+/- Other non-cash items	(18)	(174)	(385)
= Non-monetary items included in net income before tax and other adjustments	(36)	(5)	(436)
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	3,600	(7,126)	0
+/- Cash from interbank operations (client loans)	(926)	1,912	351
+/- Cash from client operations (loans)	(956)	(22)	452
+/- Cash from financing assets	(2,525)	(3,731)	(2,813)
+/- Cash from hedging financial instruments	(218)	1,050	458
- Income tax paid	(75)	(48)	(44)
= Decrease/(increase) in cash from operating activities	(1,100)	(7,965)	(1,596)
CASH FLOW FROM OPERATING ACTIVITIES (A)	(1,022)	(7,779)	(1,911)
+/- Cash from financing assets and long-term investments	0	0	0
+/- Cash from investment property	0	0	0
+/- Cash from property and intangible assets	0	0	0
CASH FLOW FROM INVESTING ACTIVITIES (B)	0	0	0
+/- Cash from or for shareholders	0	1	(4)
+/- Other cash from financing activities	5,733	159	1,786
CASH FLOW FROM FINANCING ACTIVITIES (C)	5,733	160	1,782
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	0	0	0
Increase/(decrease) in cash equivalents (A + B+ C + D)	4,711	(7,623)	(34)
Cash flow from operating activities (A)	(1,022)	(7,783)	(1,816)
Cash flow from investing activities (B)	0	0	0
Cash flow from financing activities (C)	5,733	160	1,782
Effect of changes in exchange rates on cash (D)	0	0	0
Cash and cash equivalents at the beginning of the period	(7,484)	(1,162)	(6,817)
Cash, central banks and postal checking accounts (assets & liabilities)	15	(334)	4
Interbank accounts (assets & liabilities) and loans/deposits at sight	(7,499)	(828)	(6,821)
Cash and cash equivalents at the end of the period	(2,773)	(8,785)	(6,851)
Cash, central banks and postal checking accounts (assets & liabilities)	(988)	16	2
Interbank accounts (assets & liabilities) and loans/deposits at sight	(1,785)	(8,801)	(6,853)
Net cash	4,711	(7,623)	(34)

NOTES

(1 NOTES TO THE FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2010

1.1 CONTEXT OF PUBLICATION

Dexia Municipal Agency decided to publish a set of individual financial statements according to IFRS.

This publication is voluntary. The reference for the preparation of the financial statements is consistently, in compliance with legislation applicable in France, French generally accepted accounting procedures (French GAAP).

Dexia Municipal Agency presented its first annual financial statements prepared according to IFRS to report the fiscal year 2008. The financial statements as of September 30, 2010 have been examined by the Executive Board on December 6th, 2010.

1.2 SIGNIFICANT EVENTS

Dexia Municipal Agency has detected a system calculation error which has over amortized expenses on Customer loans and advances in 2009. According to the IAS 8-49 rules, the Company has corrected figures published previously.

Impacts on financial statements are the following :

Assets		09/30/2009		09/30/2009	12/31/2009		12/31/2009
	Note	published	Correction	corrected	published	Correction	corrected
EUR millions		version		version	version		version
Customer loans and advances	2.4	68,753	10	68,763	71,060	18	71,078
Total Assets		66,377	10	66,387	65,830	18	65,848

Liabilities		09/30/2009		09/30/2009	12/31/2009		12/31/2009
	Note	published	Correction	corrected	published	Correction	corrected
EUR millions		version		version	version		version
Deferred tax liabilities	3.4	0	3	3	9	6	15
Shareholders' equity	3.6	966	7	973	990	12	1 002
Net income		125	7	132	134	12	146
Total Liabilities		66,377	10	66,387	65,830	18	65,848

Income Statement		3rd Q 2009		3rd Q 2009
	Note	published	Correction	corrected
EUR millions		version		version
Interest income	5.1	5,725	10	5,735
Net banking income		251	10	261
Income before tax		181	10	191
Income tax	5.7	(56)	(3)	(59)
Net income		125	7	132
<i>Earnings per share (in EUR)</i>				
- Basic		12	0	12
- Diluted		12	0	12

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1.3 APPLICABLE ACCOUNTING PRINCIPLES

A. APPLICATION OF IFRS ADOPTED BY THE EUROPEAN COMMISSION (IFRS EU)

On July 19, 2002, the European Commission published regulation EC 1606/2002, which obliged listed groups to apply IFRS as of January 1, 2005. Dexia has thus applied these standards since that date, and Dexia Municipal Agency decided to publish its financial statements according to these standards.

Dexia Municipal Agency decided to apply as of January 1, 2007, all the IAS, IFRS, SIC and IFRIC adopted by the European Commission. Consequently, Dexia Municipal Agency restated its previously reported 2007 financial statements according to the same rules.

Since its publication in 2002, this regulation has been updated several times, validating the different texts published by the International Accounting Standards Board (IASB), except for certain rules in IAS 39.

The European Commission has carved out some paragraphs of IAS 39 with the objective of enabling European companies to reflect appropriately in their consolidated financial statements the economic hedges they make in the course of their interest rate risk management (application of interest rate portfolio hedging and the possibility of hedging deposits).

Dexia Municipal Agency's financial statements have therefore been prepared in accordance with all IFRS regulations and interpretations published and endorsed by the European Commission up to the accounting closing.

The financial statements are prepared on a going concern basis. They are stated in millions of euros (EUR) unless otherwise noted. They are compliant with CNC recommendation 2009 R04 issued on July 2, 2009.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. In order to make assumptions and estimates, management uses information available at the date of preparation of the financial statement and exercises its judgment. While management believes it has considered all available information in developing these estimates, actual results could differ from such estimates and the differences could be material to the financial statements.

Judgments and estimates are principally made in the following areas:

- Determination of the recoverable amount of impaired financial assets
- Determination of fair values of non-quoted financial instruments
- Estimation of present obligations resulting from past events in the recognition of provisions
- Estimate of future taxable profit for the recognition and measurement of deferred tax assets

B. CHANGES IN ACCOUNTING POLICIES SINCE THE PREVIOUS ANNUAL PUBLICATION THAT MAY IMPACT DEXIA MUNICIPAL AGENCY

The overview below is made until the reporting date of September 30, 2010.

a. IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2010

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as from January 1, 2010 :

- Improvements made in 2009 to IFRS and IAS, a series of amendments to IFRS applied as from January 1, 2010, with no impact on the financial statements of Dexia Municipal Agency,

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- Amendments to IFRS 2 “Share-based Payment” “Group Cash-settled Share-based Payment Transactions”, applied as from January 1, 2010. These amendments aim to clarify the scope of IFRS 2. There is no impact on Dexia Municipal Agency financial statements, as Dexia Municipal Agency does not offer cash-settled share-based payments.
- Revised IFRS 1 “First-Time adoption of International Financial Reporting Standards”, which replaces the standard as issued in June 2003. This text is applied as from January 1, 2010. The revision of this standard has no impact on Dexia Municipal Agency financial statements, which is not a first-time adopter anymore.
- Amendments to IFRS 1 “Additional Exemptions for First-time Adopters”, applied as from January 1, 2010. The revision of this standard has no impact on Dexia Municipal Agency financial statements, which is not a first-time adopter anymore.
- Revised IFRS 3 “Business combinations”, which is applied as from January 1, 2010. The revision of this standard has no impact on the financial statements of Dexia Municipal Agency.
- Revised IAS 27 “Consolidated and separate financial statements”, applied as from January 1, 2010. This amendment should be seen in relation with the revised IFRS 3 “Business combinations”. The revision of this standard has no impact on the financial statements of Dexia Municipal Agency.
- Amendment to IAS 39 “Financial instruments: Recognition and Measurement: Eligible Hedged Items” which is applied as from January 1, 2010. This amendment has no impact on the financial statements of Dexia Municipal Agency.
- Amendments to “IFRS 5 Non-current Assets held for Sale and Discontinued Operations” within the improvements made in 2008 to IFRS and IAS, which is applied as from January 1, 2010. There is no impact for Dexia Municipal Agency.
- IFRIC 12 “Service Concession Arrangements”, which is applied as from January 1, 2010, but has no impact on the financial statements of Dexia Municipal Agency.
- IFRIC 15 “Agreements for the construction of Real Estate”, applied as from January 1, 2010. This interpretation has no impact on Dexia Municipal Agency financial statements.
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”, which is applied as from January 1, 2010, and has no impact on Dexia Municipal Agency financial statements.
- IFRIC 17 “Distributions of non-cash assets to owners”, applied as from January 1, 2010. This interpretation has no impact on Dexia Municipal Agency.
- IFRIC 18 “Transfers of assets from customers”, applied as from January 1, 2010. This interpretation has no impact on Dexia Municipal Agency.

b. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2010

- Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters” applicable as from 1 January 2011. This amendment will have no impact on Dexia Municipal Agency, which is not a first-time adopter anymore.
- Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirements” applicable as from 1 January 2011. This amendment will not impact Dexia Municipal Agency.
- IAS 24 “Related Party Disclosures” applicable as from 1 January 2011. This standard supersedes IAS 24 “Related Party Disclosures” (as revised in 2003). This amendment will not impact Dexia Municipal Agency.

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- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” applicable as from 1 January 2011. This interpretation has no impact on Dexia Municipal Agency.

c. New IFRS standards, IFRIC interpretations and amendments issued during the current year but not yet endorsed by the European Commission

- “Improvements to IFRSs” (issued by IASB in May 2010), which are a collection of amendments to existing International Financial Reporting Standards. These amendments are effective as from 1 January 2011 and the impact on Dexia Municipal Agency is currently being assessed.

1.4 ACCOUNTING PRINCIPLES APPLIED TO THE FINANCIAL STATEMENTS

A. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In certain circumstances, financial assets and financial liabilities are offset and the net amount reported in the balance sheet. This could happen when there is a legally enforceable right to set off the recognized amounts and it is the intention of both parties that expected future cash flows will be settled on a net basis, or that the asset will be realized and the liability settled simultaneously. Assets are presented before any allowance or loss on impairment.

B. FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

The consolidated financial statements are stated in euros (functional and presentation currency), which is the currency of the country in which Dexia Municipal Agency is registered.

Foreign currency transactions

Foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Monetary and non-monetary assets and liabilities that are nevertheless recognized at fair value and denominated in foreign currencies existing at the closing date are recognized at closing rates. Other non-monetary assets and liabilities are recorded at their historical rates. The resulting exchange differences from monetary assets and liabilities are recognized in income. Foreign exchange differences from non-monetary assets and liabilities recognized at fair value are recorded as fair value adjustments.

C. TRADE DATE AND SETTLEMENT DATE ACCOUNTING

All purchases and sales of financial assets and financial liabilities are recognized on the settlement date, which is the date that a financial asset or a financial liability is delivered to or by Dexia Municipal Agency.

Dexia Municipal Agency hedges are recognized at fair value at the date of trade. Unrealized gains and losses are recognized in income unless the transactions have been assigned to cash flow hedges.

D. FINANCIAL ASSETS

a. Interbank and customer loans and advances

Loans categorized as “Loans and advances”, being those not included within trading, available for sale or designated at fair value through profit or loss, are carried at amortized cost, i.e. the historical cost principal

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amount, net of any deferred fees and material direct costs on loans and net of any unamortized premiums or discounts.

b. Financial assets held for trading

Dexia Municipal Agency holds no assets for trading.

c. Financial assets designated at fair value through profit or loss

Dexia Municipal Agency does not make use of the option to designate its financial assets at fair value through profit or loss.

d. Financial assets available for sale and held to maturity

Management determines the appropriate classification of its investments at the time of the purchase. However, under certain conditions, the financial asset may be restated at a later date.

Quoted securities with fixed maturity are classified as “Financial assets held to maturity” (HTM) when management has both the intent and the ability to hold the assets to maturity.

Securities and loans and receivables intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as “Financial assets available for sale” (AFS). Dexia Municipal Agency’s securities accounted for as “Financial assets available for sale” are, except for certain cases, intended to be held to maturity.

Securities and loans and receivables are initially recognized at fair value (including transaction costs). Interest is recognized based on the effective interest rate method and is recognized within the interest margin. Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in equity.

Financial assets held to maturity (HTM) are carried at amortized cost using the effective interest method, less any allowance for impairment.

When financial assets available for sale are restated as loans and commitments at a later date on the basis of the October 2008 amendment to IAS 39, the reserve representative of changes in the fair value of the financial assets available for sale as presented in the financial statements as of December 31, 2009, corresponds to the remainder to be amortized of this reserve with regard to the securities restated as of October 1, 2008.

e. Realized gains and losses on sales of financial assets

For financial assets not revalued through the income statement, realized gains or losses on disposals are the differences between the proceeds received (net of transaction costs) and the costs or amortized costs of the investments. The cost is systematically determined based on the “first in, first out” approach (FIFO method) on a portfolio basis.

When a financial asset available for sale is sold, the total of gains or losses previously recognized in equity is reclassified in income.

f. Accounting for early reimbursement penalties

Dexia Municipal Agency has determined the accounting principles applicable to the restructuring of loans in accordance with AG 62 of IAS 39 concerning the restructuring of debt on financial assets.

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Regarding the method of accounting for early reimbursement penalties, there are several possibilities depending on whether the early reimbursement is recognized as being an early reimbursement with refinancing or an extinguishment without refinancing.

Early reimbursement with refinancing

The method of accounting for early reimbursement penalties differs depending on whether the restructuring conditions are substantially different from those set initially. In line with the principles of AG 62, Dexia Municipal Agency considers that the conditions are substantially different when the net present value of the cash flows under the new conditions, including any fees paid net of any fees received, is at least 10% different from the discounted net present value of the cash flows remaining from the original loan.

Early reimbursement penalties are recognized immediately in income or else amortized over the life of the new loan depending on the results of the eligibility test. If the eligibility test is passed (i.e. the difference in net present value is less than 10%), any early reimbursement penalties are amortized over the term of the new loan. If not (i.e. the difference exceeds 10%), early reimbursement penalties are recognized immediately in income.

Early reimbursement without refinancing

When a loan has been extinguished, Dexia Municipal Agency recognizes the early reimbursement penalty and any gains or losses of unamortized premium or discount, as income for the period, as required by IFRS.

g. Impairment of financial assets

Dexia Municipal Agency records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired, in accordance with IAS 39 (§58-70). The impairment represents management's best estimates of losses at each balance-sheet date.

An interest-bearing financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Two types of allowances for impairment losses are recorded on assets:

- **Specific loss allowance.** The amount of the provision on specifically identified assets is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, net of guarantees and collateral discounted using the effective interest rate at the time of the test of impairment. Impairment and reversal of impairment are recognized on a case-by-case basis in accordance with the standard. Financial assets with small balances that share similar risk characteristics are generally aggregated in this measurement.
- **Collective allowance.** Loss impairments cover incurred losses not covered by specific impairment where there is objective evidence that probable losses are present in segments of the portfolio or other lending commitments at the balance-sheet date. These have been estimated on the basis of past performance and historical patterns of losses in each segment, the credit ratings allocated to the borrowers, and the current economic environment in which the borrowers operate. For that purpose, Dexia Municipal Agency uses the credit risk model developed by Dexia Credit Local, which is based on an

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approach that combines appropriate default probabilities and losses in the event of default that are subject to regular back testing and are based on Basel II data and risk models.

At each closing date, Dexia Municipal Agency examines the situation in order to determine if the parameters given for the models need to be adjusted. If such adjustments (e.g. with regard to the concentration of risks by business sector) are necessary, additional provisions are recognized.

The country risk is included within collective and specific impairment.

When a financial asset is reclassified, the impairment amount is equal to the difference between the carrying amount and the expected value of the cash flows discounted using the effective interest rate recalculated at the transfer date.

Financial assets available for sale (AFS) are only subject to specific loss allowances.

Impairment on fixed income financial assets held to maturity (HTM) and fixed income financial assets available for sale (AFS) is reported in "Cost of risk". For fixed income financial assets, if the amount of the impairment subsequently decreases due to an event occurring after the write-down of the initial impairment, the reversal of the provision is credited to the "Cost of risk".

h. Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement (repos) remain recognized in the financial statements as financial assets held for trading, financial assets available for sale or financial assets held to maturity. The corresponding liability is included in "Interbank loans and deposits" or "Customer deposits" as appropriate.

Securities purchased under agreements to resell (reverse repos) are recorded as:

- an off-balance sheet obligation to return securities; and
- "Interbank loans and advances" or "Customer loans and advances" as appropriate.

The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognized in the financial statements. If the borrowed securities are sold to third parties, the obligation to return them is recorded at fair value in "Financial liabilities designated at fair value through profit or loss", and the gain or loss is included in "Net gains (losses) on financial instruments at fair value through profit or loss".

Currently, Dexia Municipal Agency does not engage in this type of transaction.

E. FINANCIAL LIABILITIES

a. Liabilities designated at fair value through profit or loss

Dexia Municipal Agency does not use this option.

b. Borrowings

Borrowings are recognized initially at fair value, i.e. their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortized cost and any difference between net proceeds and the

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redemption value is recognized in income over the period of the borrowings using the effective interest rate method.

This chapter includes *obligations foncières* and other resources benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code, as of December 31, 2009. It is sub-divided into two parts.

1) Obligations foncières

Obligations foncières are recorded at nominal value.

Reimbursement premiums and issue premiums are amortized according to the straight line method over the life of the securities concerned, as of the first year, *pro rata temporis*. They are recorded on the balance sheet in items corresponding to the type of debt concerned.

The amortization of these premiums is recorded in the income statement as interest income and charge on bonds and fixed income securities. In the case of bonds issued above par, the spread of issue premiums is deducted from related interest income and charge on bonds and fixed income securities. Interest related to bonds is accounted for as banking operating charges for accrued amounts, due and not yet due, calculated *pro rata temporis* on the basis of contractual rates.

Fees and commissions on bond issues are spread in equal fractions over the life of the loans to which they are attached.

Bonds denominated in other currencies are treated in the same way as foreign exchange transactions (see 3.2).

2) Registered covered bonds

These private placements are recorded at nominal value. Issue premiums are dealt with in the same way as *obligations foncières* (see above).

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRB standard 99-10 of July 27, 1999, total assets must at all times be greater than total liabilities benefiting from the privilege mentioned in article L.515-19 of the above-mentioned Monetary and Financial Code.

F. DERIVATIVES

a. Derivatives used in a hedging relationship

Dexia Municipal Agency is not authorized to conduct derivative transactions that would be classified as hedging relations.

b. Hedging derivatives

When a derivative transaction is entered into, Dexia Municipal Agency classifies the derivatives as either:

- a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognized asset or liability or a future transaction (cash flow hedge).

Hedge accounting may be used for derivatives designated in this way, provided certain criteria are met.

The criteria for a derivative instrument to be accounted for as a hedge include *inter alia*:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship between the hedging instrument and the hedged item must be prepared before hedge accounting is applied;

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- the hedge is documented showing that it is expected to be effective in offsetting changes in fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period;
- the hedge is effective at inception and on a going concern basis.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that respect the abovementioned criteria are recorded in income, along with the corresponding change in fair value of the hedged assets or liabilities that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged interest bearing financial instrument is amortized to income over the period to maturity through an adjustment of the yield of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges, that respect the above-mentioned criteria, and that prove to be effective in relation to the hedged risk, are recognized in the hedging reserve in equity as “Unrealized or deferred gains and losses”.

The non-effective portion of the changes in the fair value of the derivatives is recognized in income. Amounts deferred in equity are transferred to income and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction has an impact on income.

c. Hedging of the interest rate risk of a portfolio

Dexia Municipal Agency decided to apply IAS 39 as adopted by the European Commission, since the adopted version better reflects the way Dexia Municipal Agency manages its activities.

The objective of the hedge relationships is to reduce the interest rate risk exposure stemming from certain categories of assets or liabilities designated as the qualifying hedged items.

The entity performs a comprehensive analysis of its interest rate risk exposure. It consists of assessing fixed rate exposure taking into account all the exposures on the balance sheet.

Dexia Municipal Agency selects financial assets and liabilities to be part of the hedge of the portfolio's interest rate risk exposure. The entity defines at inception the risk exposure to be hedged, the length of the contract, the method and the frequency with which it will perform tests. The entity constantly applies the same methodology for selecting assets and liabilities to be part of the portfolio. Assets and liabilities are included on a cumulative basis and all portfolio maturities are represented. Hence, when they are removed from the portfolio, they must be removed from all the maturities on which they had an impact.

Dexia Municipal Agency may choose which assets and liabilities it wishes to put in the portfolio provided they are included in the comprehensive analysis. The Company chose to put together homogeneous portfolios of loans and portfolios of bond issues.

Hedging is conducted using derivatives, which may have offsetting positions. The hedging items are recognized at their fair value (including accrued interest expense or income) with adjustments recorded in income.

On the balance sheet, revaluation is recognized as:

- fair value revaluation of the asset hedge portfolio, or
- fair value revaluation of the liability hedge portfolio.

Effectiveness tests consist in verifying that the hedging objective is attained, i.e. reducing interest rate risk exposure. Ineffectiveness can come only from over-hedging as a result of non-contractual events occurring in the categories of assets or liabilities.

G. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Market prices are used to determine fair value, where an active market (such as a recognized stock exchange) exists, as it is the best evidence of the fair value of a financial instrument. Active market prices are not, however, available for a significant number of the financial assets and liabilities held or issued by Dexia Municipal Agency.

If the market for a financial instrument is not active, valuation techniques are used. A valuation technique reflects what the transaction price would be at the date of the valuation under conditions of normal competition and motivated by usual business conditions, i.e. the price that the holder of the financial asset would receive in a usual transaction that is not a liquidation or a forced transaction.

The valuation model should take into account all the factors that the market players would take into consideration to value the asset. Within this framework, Dexia Municipal Agency relies on its own valuation models, as well as its market assumptions, i.e. an amount discounted through a treasury flow or any other method based on the market conditions existing at the closing date.

Financial investments classified as trading, available for sale, or designated at fair value through profit or loss, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows, including observable and non-observable market data.

For assets and liabilities available for sale (AFS), or designated at fair value through profit or loss, when quoted prices are not available, the pricing models attempt to reflect as accurately as possible market conditions at the calculation date as well as changes in the credit quality of the financial instruments and market liquidity.

The following remarks could be made regarding the fair value of loans and advances presented in the notes:

- the fair value of fixed rate loans and mortgages is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans;
- caps, floors and early reimbursement options are included in determining the fair value of loans and advances.

H. INTEREST INCOME AND EXPENSE

Interest income and expense are recognized in the income statement for all interest-bearing instruments on an accrual basis using the effective interest rate method based on the purchase price (including transaction costs).

Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or liability and are used for the calculation of the effective interest rate.

Accrued interest is reported on the balance sheet in the same item as the related financial asset or liability. Once a financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognized based on the interest rate used to discount the future cash flows in order to measure the recoverable amount.

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I. COMMISSION INCOME AND EXPENSE

Commissions are recognized in accordance with IAS 18. Pursuant to this standard, most of the commissions arising from Dexia Municipal Agency's activities are recognized on an accrual basis over the life of the underlying transaction.

Loan commitment fees are recognized as part of the effective interest rate if the line of credit is used, and recorded as commission income if the line of credit is not used.

J. DEFERRED TAXES

Deferred taxes are recognized using the liability method to account for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxes. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized to account for temporary differences arising from investments in subsidiaries, jointly controlled companies and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes related to fair value re-measurement of assets available for sale and cash flow hedges, which are charged or credited directly to equity, are also credited or charged directly to equity and are subsequently recognized in income together with the deferred gain or loss.

K. PROVISION FOR RISKS AND CHARGES

A provision represents a liability of uncertain timing or amount. Provisions are recognized based on their discounted value when:

- Dexia Municipal Agency has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

L. DIVIDENDS ON ORDINARY SHARES

Dividends on ordinary shares are recognized in equity in the period in which they are declared (they must be authorized). Dividends for the year that are declared after the balance sheet date are disclosed in the note on subsequent events.

M. EARNINGS PER SHARE

Basic earnings per share before dilution are calculated by dividing net income available to shareholders by the weighted average number of ordinary shares in issue during the year.

N. RELATED PARTY TRANSACTIONS

Two parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The parent company of Dexia Municipal Agency is Dexia Credit Local, a *société anonyme* incorporated in France, itself a subsidiary of Dexia SA, incorporated in Belgium. Within this framework, related party transactions are

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those with companies accounted for by the equity method and with members of the Company's management bodies.

O. SEGMENT REPORTING

Dexia Municipal Agency's sole activity is the financing or refinancing of commitments on public sector entities originated by Dexia's commercial network. These assets are primarily financed by the issue of *obligations foncières*. This sole business is part of the operational business line Public and Wholesale Banking (PWB) of the Dexia Group.

Dexia Municipal Agency conducts its business solely from Paris (or its branch in Dublin). The Company has no direct activity in other countries and is unable to present a relevant breakdown of its results by geographic region. A geographic breakdown of assets by country of residence of the counterparty is presented quarterly, at the end of the management report.

P. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with central banks and interbank deposits at sight.

2 NOTES TO THE ASSETS

2-1 CENTRAL BANKS

EUR millions	9/30/2009	12/31/2009	9/30/2010
Mandatory reserve deposits with central banks	16	4	2
Other central bank deposits	0	0	0
TOTAL	16	4	2

2-2 FINANCIAL ASSETS AVAILABLE FOR SALE

a. Analysis by nature

EUR millions	9/30/2009	12/31/2009	9/30/2010
Loans	0	0	0
Bonds	5,434	3,304	2,003
TOTAL	5,434	3,304	2,003

b. Analysis by counterparty

EUR millions	9/30/2009	12/31/2009	9/30/2010
Public sector	3,620	1,437	1,112
Credit institutions guaranteed by the public sector	1,814	1,867	891
Other - guaranteed by a State or local government	0	0	0
Other - ABS made up solely of public commitments	0	0	0
Total public sector	5,434	3,304	2,003
Replacement assets	0	0	0
TOTAL	5,434	3,304	2,003
of which eligible for central bank refinancing	*	3026	1696

c. Impairment

EUR millions	9/30/2009	12/31/2009	9/30/2010
Public sector bonds or bonds guaranteed by the public sector	5,434	3,304	2,003
Replacement assets	0	0	0
Total performing assets	5,434	3,304	2,003
Public sector bonds or bonds guaranteed by the public sector	0	0	0
Replacement assets	0	0	0
Total impaired assets	0	0	0
Specific impairment	0	0	0
Total assets after impairment	5,434	3,304	2,003

d. Transfers between portfolios

EUR millions	9/30/2009	12/31/2009	9/30/2010
Accounting value as of December 31, 2008, of available for sale securities transferred to loans and advances as of September 30, 2008: see note 2.7	0	0	0

e. Analysis by residual maturity : see note 7.2

2-3 INTERBANK LOANS AND ADVANCES

a. Analysis by nature

EUR millions	9/30/2009	12/31/2009	9/30/2010
Sight accounts	0	0	117
Other interbank loans and advances	8,180	7,810	8,160
Performing assets	8,180	7,810	8,277
Impaired loans and advances	0	0	0
Impaired assets	0	0	0
Total assets before impairment	8,180	7,810	8,277
Specific impairment	0	0	0
Collective impairment	0	0	0
TOTAL	8,180	7,810	8,277

b. Breakdown by counterparty

EUR millions	9/30/2009	12/31/2009	9/30/2010
Central Bank	0	0	0
Swiss cantonal banks benefiting from their canton's legal guarantee	1,975	1,899	1,631
Banks guaranteed by a local government, <i>Crédits municipaux</i>	215	170	180
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in gua	187	186	182
Credit institutions guaranteed by the State	10	10	12
Replacement assets	5,793	5,545	6,272
TOTAL	8,180	7,810	8,277
of which eligible for central bank refinancing	*	5545	6150

* Data not available

c. Replacement assets

EUR millions	Notation	9/30/2009	12/31/2009	9/30/2010
Dexia Sabadell - <i>Cedulas territoriales</i>	Moody's Aa2	3,193	3,195	3,804
Dexia LdG Banque - <i>Lettres de gage</i>	S&P AAA	2,600	2,350	2,351
Dexia CL - Dublin branch sight account		0	0	117
TOTAL		5,793	5,545	6,272

d. Analysis by residual maturity : see note 7.2

2-4 CUSTOMER LOANS AND ADVANCES

a. Analysis by counterparty

EUR millions	9/30/2009	12/31/2009	9/30/2010
Public sector**	57,378	59,737	62,432
Other- guaranteed by a State or local government	4,279	4,125	4,451
Other - ABS made up solely of public commitments	7,096	7,208	11,103
Performing assets	68,753	71,070	77,986
Impaired loans and advances	12	5	10
Impaired assets	12	5	10
Total assets before impairment	68,765	71,075	77,996
Specific impairment	(1)	(1)	(1)
Collective impairment	(11)	(14)	(17)
TOTAL	68,753	71,060	77,978
of which eligible for central bank refinancing	*	45057	41588

* Data not available

* *Figures as of September 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of September 30, 2010 - Part Significant events

b. Public sector ABS

EUR millions	Rating	9/30/2009	12/31/2009	9/30/2010
Colombo	Aa2 Moody's, AAA S&P	10	10	8
Astrea	AA- Fitch, Aa2 Moody's	2	2	1
Blue Danube	AA+ S&P	79	77	83
DCC - Dexia Crediop per la cartolarizzazione	A Fitch, A2 Moody's, A S&P	3,920	3,843	3,690
DSFB - Dexia Secured Funding Belgium 1 et 2	A+ Fitch, A1 Moody's, A S&P	3,085	3,026	2,918
DSFB - Dexia Secured Funding Belgium 4	AA Fitch	0	250	4,403
Total		7,096	7,208	11,103

c. Analysis by residual maturity : see note 7.2

2-5 TAX ASSETS

EUR millions	9/30/2009	12/31/2009	9/30/2010
Current income tax	2	4	9
Other-taxes	0	0	0
Current tax assets	2	4	9
Deferred tax assets (see note 4.2)	154	132	161

2-6 ACCRUALS AND OTHER ASSETS

EUR millions	9/30/2009	12/31/2009	9/30/2010
Cash collateral	0	0	0
Other accounts receivable	0	0	0
Prepaid charges	0	0	0
Other assets	0	10	8
Total accruals and other assets	0	10	8

3 NOTES TO THE LIABILITIES

3-1 CENTRAL BANKS

This item includes refinancing obtained through Banque de France tenders. The use of such financing organized by tenders involved the pledging of eligible assets within the framework of a general guarantee management agreement (3G). This source of financing does not benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code.

Dexia Municipal Agency has not used Banque de France financing since July 2009.

EUR millions	9/30/2009	12/31/2009	9/30/2010
Overnight borrowing	0	0	0
Time borrowing	0	0	0
Accrued interest	0	0	0
Total funding from Banque de France	0	0	0

3-2 INTERBANK LOANS AND DEPOSITS

a. Analysis by nature

EUR millions	9/30/2009	12/31/2009	9/30/2010
Demand deposits	8,804	6,823	6,971
Time Deposits	3,524	3,529	3,506
TOTAL	12,328	10,352	10,477

This item includes the balance of the account opened with Dexia Credit Local. This account is intended to finance the needs of Dexia Municipal Agency related to its activity, in particular, to finance structural over-collateralization and loans prior to issuance of obligations foncières.

The master-account totaled EUR 10,467 million, broken down as follows (excluding accrued interest):

Sub-accounts make it possible to distinguish within the master-account among types of financing (over-collateralization, stock of assets prior to issuance and other).

- the current account, indexed on Eonia, with no defined maturity, financing assets not yet included in the issue program and miscellaneous needs with a balance of EUR 6,967 million;

- sub-account comprised of various borrowings earmarked to finance the structural over-collateralization of 5%. Dexia MA's policy is to maintain minimum structural over-collateralization of 5%, i.e. 105% of outstanding *obligations foncières* and registered covered bonds. These borrowings totaled EUR 3,500 million as of September 30, 2010; they are indexed on the annual money market rate (TAM).

The current account agreement between Dexia Credit Local and Dexia MA will exist as long as Dexia MA is authorized to operate as a *société de crédit foncier* and acquires or grants loans to public sector entities.

EUR millions	9/30/2009	12/31/2009	9/30/2010
Sub-account - pre-financing of assets	8,801	6,820	6,967
Interest accrued not yet due	3	3	5
Sub-account - financing of over collateralization	3,500	3,500	3,500
Interest accrued not yet due	24	29	5
TOTAL Dexia Credit Local	12,328	10,352	10,477

b. Analysis by residual maturity : see note 7.2

3-3 DEBT SECURITIES

a. Analysis by nature

EUR millions	9/30/2009	12/31/2009	9/30/2010
<i>Obligations foncières</i>	61,012	62,218	65,463
Registered covered bonds	3,654	3,715	4,673
TOTAL	64,666	65,933	70,136

b. Analysis by residual maturity : see note 7.2

3-4 TAX LIABILITIES

EUR millions	9/30/2009	12/31/2009	9/30/2010
Current income tax	7	0	11
Other taxes	4	3	2
Current tax liabilities	11	3	13
Deferred tax liabilities (see note 4.2)*	0	15	14

*Figures as of September 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of September 30, 2010 - Part Significant events

3-5 ACCRUALS AND OTHER LIABILITIES

EUR millions	9/30/2009	12/31/2009	9/30/2010
Cash received as collateral	1,364	1,427	1,721
Other accrued charges	27	50	30
Deferred income	0	0	0
Other accounts payable and other liabilities	1	4	2
TOTAL	1,392	1,481	1,753

4 OTHER NOTES ON THE BALANCE SHEET

4-1 INSTRUMENT DERIVES DE COUVERTURE

a. Analysis by nature

EUR millions	9/30/2009		12/31/2009		9/30/2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	0	0	0	0	0	0
Derivatives designated as fair value hedges	1,111	4,398	1,015	4,703	1,788	7,030
Derivatives designated as cash flow hedges	3	151	1	125	184	187
Derivatives designated as portfolio hedges	1,920	937	1,798	978	1,596	903
Hedging derivatives	3,034	5,486	2,814	5,806	3,568	8,120
Total derivatives	3,034	5,486	2,814	5,806	3,568	8,120

b. Detail of derivatives designated as fair value hedges

EUR millions	9/30/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	17,802	18,582	684	946
Interest rate derivatives	42,511	42,511	427	3,453
TOTAL	60,313	61,093	1,111	4,398

EUR millions	12/31/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	17,675	18,351	589	839
Interest rate derivatives	43,820	43,820	427	3,864
TOTAL	61,495	62,171	1,015	4,703

EUR millions	9/30/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	16,933	17,056	1,269	1,070
Interest rate derivatives	49,218	49,218	519	5,960
TOTAL	66,151	66,274	1,788	7,030

c. Detail of derivatives designated as cash flow hedges

	9/30/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,547	2,677	13	369
Interest rate derivatives	0	0	0	0
TOTAL	2,547	2,677	13	369

	12/31/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,223	2,307	1	125
Interest rate derivatives	0	0	0	0
TOTAL	2,223	2,307	1	125

	9/30/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,127	2,202	184	187
Interest rate derivatives	0	0	0	0
TOTAL	2,127	2,202	184	187

EUR millions	9/30/2009	12/31/2009	9/30/2010
Amount removed from equity and included in the carrying amount of a non-financial instrument, in case of a CFH on forecast transaction	0	0	0

d. Detail of derivatives designated as portfolio hedges

	9/30/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	0	0	0	0
Interest rate derivatives	179,592	179,592	1,920	1,920
Total	179,592	179,592	1,920	1,920

	12/31/2009			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	0	0	0	0
Interest rate derivatives	167,734	167,729	1,798	978
Total	167,734	167,729	1,798	978

	9/30/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	0	0	0	0
Interest rate derivatives	190,715	190,789	1,596	903
Total	190,715	190,789	1,596	903

4-2 DEFERRED TAXES

a. Analysis by nature

EUR millions	9/30/2009	12/31/2009	9/30/2010
Deferred tax assets before impairment	154	132	161
Impairment on deferred tax assets	0	0	0
Deferred tax assets (1)	154	132	161
Deferred tax liabilities (1)*	(3)	(15)	(14)
TOTAL	151	117	147

(1) deferred tax assets and liabilities are netted out when they concern the same tax entity

The significant change in net deferred taxes, compared with December 2009, was mainly due to the recognition of deferred tax assets on the fair value reserve on securities available for sale.

*Figures as of September 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of September 30, 2010 - Part Significant events

b. Changes

EUR millions	9/30/2009	12/31/2009	9/30/2010
As of January 1	223	223	123
- Charge/credit recognized in the income statement *	(10)	(31)	(4)
- Effect of change in tax rates - impact on the income statement	0	0	0
- Movements directly recognized in shareholders' equity	(62)	(75)	28
- Effect of change in tax rates - impact on shareholders' equity	0	0	0
- Translation adjustment	0	0	0
- Other movements	0	0	0
As of September 30	151	117	147

*Figures as of September 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of September 30, 2010 - Part Significant events

c. Deferred taxes coming from assets on the balance sheet

EUR millions	9/30/2009	12/31/2009	9/30/2010
Loans (and loan loss provisions)	53	51	36
Securities	79	67	97
Derivatives	23	12	8
Accruals and other assets	16	14	14
TOTAL	171	144	155

d. Deferred taxes coming from liabilities on the balance sheet

EUR millions	9/30/2009	12/31/2009	9/30/2010
Derivatives	0	0	0
Borrowings, deposits and issues of debt securities	0	0	14
Provisions	0	0	0
Regulatory provisions	(20)	(21)	(23)
Accruals and other liabilities	0	0	0
TOTAL	(20)	(21)	(9)

4-3 RELATED-PARTY TRANSACTIONS

Analysis by nature

EUR millions	Parent company and entities consolidated by Dexia Credit Local			Other related parties (1)		
	9/30/2009	12/31/2009	9/30/2010	9/30/2009	12/31/2009	9/30/2010
Assets						
Loans and advances	7,299	7,224	5,590	5,685	5,376	9,657
Bonds	1,350	1,401	600	0	0	0
Liabilities						
Interbank loans - sight accounts	8,804	6,823	6,971	0	0	0
Interbank loans - term loans	3,524	3,529	3,505	0	0	0
Income statement						
Interest income on loans and advances	142	163	53	83	95	63
Interest income on bonds	5	6	1	0	0	0
Interest expense on borrowings	(34)	(39)	(54)	0	0	0
Fees and commissions	0	0	3	0	0	0
Off-balance sheet						
Foreign exchange derivatives	5,534	5,514	5,492	650	573	559
Interest rate derivatives	141,389	128,588	154,125	3,617	6,472	6,079
Guarantees issued by the Group	3,916	11,434	12,865	3,083	3,274	2,918

(1) This item includes transactions with entities of Belgian and Luxemburg sub-groups consolidated by Dexia, the parent company of Dexia Credit Local.

5 NOTES TO THE INCOME STATEMENT

5-1 INTEREST INCOME - INTEREST EXPENSE

EUR millions	3rd Q 2009	3rd Q 2010
Interest income	5,735	4,750
Central banks	0	0
Interbank loans and advances	147	85
Customer loans and advances*	1,658	1,602
Financial assets available for sale	51	46
Financial assets held to maturity	0	0
Derivatives used for hedging	3,879	3,017
Impaired assets	0	0
Other	0	0
Interest expense	(5,492)	(4,562)
Accounts with central banks	0	0
Interbank loans and deposits	(103)	(58)
Customer borrowings and deposits	0	0
Debt securities	(1,954)	(1,952)
Subordinated debt	0	0
Derivatives used for hedging	(3,435)	(2,552)
Other	0	0
Interest margin	243	188

*Figures as of September 30 and December 31, 2009 have been modified. Cf. Notes to the financial statements as of September 30, 2010 - Part Significant events

5-2 FEES AND COMMISSIONS

EUR millions	3rd Q 2009			3rd Q 2010		
	Income	Expense	Net	Income	Expense	Net
Lending activity	0	0	0	0	0	0
Purchase and sale of securities	0	0	0	0	0	0
Financial engineering	0	0	0	0	0	0
Services on securities other than custodian services	0	(4)	(4)	0	(5)	(5)
Custodial services	0	0	0	0	0	0
Issuance and underwriters of securities	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	(4)	(4)	0	(5)	(5)

5-3 NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR millions	3rd Q 2009	3rd Q 2010
Net result of hedge accounting	0	1
Net result of foreign exchange transactions	0	0
TOTAL	0	1

All interest received and paid on assets, liabilities and derivatives is recorded in net interest income, as required by IFRS.

Thus, net gains (losses) on trading transactions and net gains (losses) on hedging transactions include only the change in the clean value of derivatives, the revaluation of assets and liabilities qualified as hedges and the revaluation of the portfolio held for trading.

Analysis of net result of hedge accounting

EUR millions	3rd Q 2009	3rd Q 2010
Fair value hedges	0	1
Fair value changes in the hedged item attributable to the hedged risk	(80)	(3,462)
Fair value changes in the hedging derivatives	80	3,463
Cash flow hedges	0	0
Fair value changes in the hedging derivatives – ineffective portion	0	0
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	0	0
Portfolio hedge	0	0
Fair value changes in the hedged item	(533)	(76)
Fair value changes in the hedging derivatives	533	76
TOTAL	0	1

5-4 NET GAINS (LOSSES) ON FINANCIAL ASSETS AVAILABLE FOR SALE

EUR millions	3rd Q 2009	3rd Q 2010
Net gain (loss) on disposals of loans and securities available for sale	0	0
Net gain (loss) on disposals of debt securities	6	10
Net gain (loss) on the sale or cancellation of loans and advances	16	4
TOTAL	22	14

5-5 OPERATING EXPENSE

EUR millions	3rd Q 2009	3rd Q 2010
Payroll costs	0	0
Other general and administrative expense	(65)	(68)
Taxes	(4)	(6)
TOTAL	(69)	-74

Dexia Municipal Agency has no salaried employees in accordance with article L.515-22 of the Monetary and Financial Code. Within the framework of its management contract, Dexia Credit Local conducts all operations, transactions and functions of all types on behalf of Dexia MA.

In addition, specific management contracts grant different entities of the Dexia Group the management of loans and securities in their respective countries (Kommunalkredit Austria, Dexia Crediop, Dexia Public Finance Norden and Dexia Bank Belgium). The agreement with Dexia Public Finance Norden was cancelled at the end of 2009.

5-6 COST OF RISK

The methodology used to calculate provisions, defined for the whole Dexia Group, is expected to change in the future, and thus better reflect the risk quality of Dexia MA's exposures that are guaranteed by public sector entities.

EUR millions	3rd Q 2009			3rd Q 2010		
	Collective impairment	Specific impairment and losses	TOTAL	Collective impairment	Specific impairment and losses	TOTAL
Credit (loans, commitments and securities held to maturity)	(1)	0	(1)	(3)	0	(3)
Fixed income securities available for sale	0	0	0	0	0	0
TOTAL	(1)	0	(1)	(3)	0	(3)

Detail of collective and specific impairments

Collective impairment

EUR millions	3rd Q 2009			3rd Q 2010		
	Charges	Recoveries and uses	TOTAL	Charges	Recoveries and uses	TOTAL
Loans and securities held to maturity	(1)	0	(1)	(3)	0	(3)
Off-balance sheet commitments	0	0	0	0	0	0
TOTAL	(1)	0	(1)	(3)	0	(3)

The methodology used to calculate collective impairment, for the different portfolios that make up Dexia MA's cover pool, does not take into account the guarantees received. This very conservative method may result in significant changes in provisions, depending on whether the assets recorded on the balance sheet during the year are exposures that are totally guaranteed by public sector entities or direct exposures on these entities.

Specific impairment

EUR millions	3rd Q 2009				TOTAL
	Allocations	Reversals	Losses	Recoveries	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	0	0	0	0	0
Financial assets held to maturity	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
Total credit	0	0	0	0	0
Fixed income securities	0	0	0	0	0
TOTAL	0	0	0	0	0

	3rd Q 2010				TOTAL
	Allocations	Reversals	Losses	Recoveries	
Interbank loans and advances	0	0	0	0	0
Customer loans and advances	0	0	0	0	0
Financial assets held to maturity	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0
Total credit	0	0	0	0	0
Fixed income securities	0	0	0	0	0
TOTAL	0	0	0	0	0

5-7 CORPORATE INCOME TAX

a. Detail of tax expense

EUR millions	3rd Q 2009	3rd Q 2010
Current taxes	(49)	(42)
Deferred taxes*	(10)	2
Tax on prior years' income	0	0
Deferred taxes on prior years	0	0
Provisions for tax litigation	0	0
TOTAL	(59)	(40)

*Figures as of September 30, 2009 have been modified. Cf. Notes to the financial statements as of September 30, 2010 - Part

b. Effective tax expense as of September 30, 2010

The standard corporate tax rate applicable in France is 34.43%. The tax rate applied on the contributions of foreign subsidiaries is the rate applied locally in accordance with each individual national tax system.

The effective tax rate observed for the third quarter of 2010 amounted to 32.8%.

The difference between these two rates can be analysed as follows:

EUR millions	3rd Q 2009	3rd Q 2010
Income before income taxes*	191	121
Net income from associates	0	0
Tax base	191	121
Applicable tax rate at end of the period	34.43%	34.43%
Theoretical corporate income tax at the standard rate	66	42
Impact of differences between foreign tax rates and the standard French tax rate	(7)	(2)
Tax effect of non-deductible expenses	0	0
Tax effect of non-taxable income	0	0
Impact of items taxed at a reduced rate	0	0
Other additional taxes or tax savings	0	0
Liability method	0	0
Provisions for tax litigation	0	0
Corporate income tax recorded in the income statement	59	40
Effective tax rate	30.9%	32.8%

*Figures as of September 30, 2009 have been modified. Cf. Notes to the financial statements as of September 30, 2010 - Part Significant

c. Tax consolidation group

Dexia Municipal Agency applies the tax consolidation system.

Dexia Municipal Agency and its parent company Dexia Credit Local are lodged in a tax consolidation structure. As of January 1, 2002, the consolidating company is Dexia SA's permanent establishment in France.

This entity pays the total tax owed by the companies in the tax group and the minimum corporate income tax payment for the group. Dexia MA records in its accounts the amount of tax for which it would be liable if it were not a member of the tax group.

Tax savings realized by the tax group are recorded in the accounts of Dexia's permanent establishment in France.

6 NOTE ON OFF-BALANCE SHEET ITEMS

6-1 REGULAR WAY TRADE

EUR millions	9/30/2009	12/31/2009	9/30/2010
Assets to be delivered	1,881	216	205
Liabilities to be received	776	151	144

Currency swaps with a deferred start that perfectly hedge loans or bond issues.

6-2 GUARANTEES

EUR millions	9/30/2009	12/31/2009	9/30/2010
Guarantees received from credit institutions (1)	3,916	7,110	6,603
Guarantees received from customers (2)	6,111	5,812	5,639

(1) The guarantees received from credit institutions corresponded to the guarantees provided by Dexia Crediop per la Cartolarizzazione pour EUR 3 685 millions and the guarantee provided by Dexia Banque Belgium on DSFB1 and DSB2 securities in the amount of EUR 2 918 millions.

(2) Guarantees received from customers are generally granted by local governments.

6-3 LOAN COMMITMENTS

EUR millions	9/30/2009	12/31/2009	9/30/2010
Loan commitments given to credit institutions	33	6	2
Loan commitments given to customers (1)	2,903	1,630	1,714
Loan commitments received from credit institutions (2)	5,120	7,412	9,180
Loan commitments received from customers	0	0	0

(1) The financing commitments on loans and lines of credit corresponded to contracts issued but not paid out as of September 30, 2010.

(2) This item concerned a firm and irrevocable commitment by Dexia Credit Local to make available to Dexia MA the funds required to reimburse the obligations foncières that will mature in the next 12 months.

6-4 OTHER COMMITMENTS

EUR millions	9/30/2009	12/31/2009	9/30/2010
Commitments given (1)	608	0	15
Commitments received	445	421	423

(1) Accounting value of the financial assets pledged to the Banque de France.

7 NOTES ON RIK EXPOSURE AS OF SEPTEMBER 30, 2010

7-1 EXPOSURE TO CREDIT RISK

Exposure to credit risks, as presented to management, includes:

- for assets other than derivatives: the amount on the balance sheet (i.e. after deduction of specific provisions);
- for derivatives: the market value on the balance sheet plus an add-on representing a margin for future potential credit risks;
- for off-balance sheet commitments: the amount is stated in the notes to the financial statements; the amount is intact of financing commitment drawdowns.

Exposure to credit risk is broken down by region and by counterparty, taking into account the guarantees received. This signifies that when the credit risk is guaranteed by a third party whose weighted risk (in the sense of Basel regulations) is less than that of the direct borrower, exposure is included in the guarantor's region and business sector.

Breakdown of exposure to credit risks

- Analysis of exposure by geographic region

EUR millions	Amount as of 9/30/2010
Belgium	7,798
France	54,301
Germany	986
Italy	7,797
Luxembourg	2,351
Other European Union countries	6,112
Rest of Europe	4,715
United States and Canada	329
Japon	26
Other European Union countries	8
Total exposure	84,423

- Analysis of exposure by category of counterparty

EUR millions	Amount as of 9/30/2010
States	2,779
Local public sector	71,882
ABS	86
Financial institutions	9,676
Total exposure	84,423

The exposures on financial institutions are primarily comprised of counterparties in hedging derivatives and the covered bonds classified as replacement assets.

Exposures on ABS correspond to the three ABS that are 100% guaranteed by a public sector entity or have a pool of 100% public sector assets: Blue Danube Loan Funding GmbH, Colombo SrL, Societa veicolo Astrea SrL.

- Analysis of exposure by category of instrument

EUR millions	Amount as of 9/30/2010
Debt securities	2,004
Loans and advances	79,586
Financing commitments on loans	1,716
Hedging derivatives	1,117
Total exposure	84,423

Evaluation of asset credit quality

The Dexia Group decided to use the advanced method recommended by the regulators in relation to the Basel 2 reforms on the capital adequacy ratio and capital adequacy requirements. This system is of paramount importance for Dexia and is under the exclusive responsibility of the Risk Management department, which has developed internal credit rating models covering the main client segments. Banking supervisors (the Banking Commission in France and CBFA in Belgium) authorized the Group to use these advanced internal models to calculate and report equity requirements for credit risk as of January 1, 2008.

This enables Dexia Municipal Agency to present below an analysis of its exposures, broken down by risk weighting, as used for calculating equity requirements for credit risk; such weighting is mainly calculated on the basis of the probability of default of the counterparty and of the loss incurred in the event of default.

This analysis confirms the excellent quality of the assets in Dexia MA's portfolio. Seventy nine percent of the portfolio has a weighting of less than 5% and 98% of the portfolio has a weighting that is less than or equal to 20%.

EUR millions	Risk weighting (Basel 2)				Total
	from 0 to 5%	from 5% to 20%	from 20% to 50%	more than 50%	
Debt securities	1,087	600	316	0	2,003
Loans and advances	64,060	15,038	357	132	79,587
Financing commitments on loans	1,551	163	0	2	1,716
Hedging derivatives	1	30	1,053	33	1,117
Total exposure	66,699	15,831	1,726	167	84,423
Share	79.0%	18.8%	2.0%	0.2%	100.0%

Certain exposures do not yet benefit from an internal evaluation system validated by banking supervisors; in this case, their weighting is that of the standard method, which is, for example, 20% for local governments.

7-2 LIQUIDITY RISK : ANALYSIS BY TERM TO MATURITY

a. Analysis of assets

EUR millions	As of September 30, 2010						Total broken down
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	
Central banks	2	0	0	0	0	0	2
Derivatives							
Financial assets available for sale	0	605	0	203	1,051	0	1,859
Interbank loans and advances	117	1,481	2,520	4,591	(556)	0	8,153
Customer loans and advances	0	2,755	5,856	27,073	34,972	0	70,656
Fair value revaluation of portfolio hedge							
Financial assets held to maturity	0	0	0	0	0	0	0
Tax assets						170	170
Accruals and other assets	0	8	0	0	0	0	8
TOTAL	119	4,849	8,376	31,867	35,467	170	80,848

EUR millions	As of September 30, 2010				Total on the balance sheet
	Total broken down	Accrued interest	Fair value adjustment	Impairment	
Central banks	2	0			2
Derivatives		1,474	2,094		3,568
Financial assets available for sale	1,859	17	127	0	2,003
Interbank loans and advances	8,153	35	89	0	8,277
Customer loans and advances	70,656	935	6,405	(18)	77,978
Fair value revaluation of portfolio hedge			1,950		1,950
Financial assets held to maturity	0	0	0	0	0
Tax assets	170			0	170
Accruals and other assets	8	0	0	0	8
TOTAL	80,848	2,461	10,665	(18)	93,956

b. Analysis of liabilities, excluding shareholders' equity

	As of September 30, 2010						Total broken down
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	
EUR millions							
Central banks	6,967	0	400	1,400	1,700	0	10,467
Hedging derivatives							
Interbak loans and deposits	0	0	0	0	0	0	0
Customer borrowings and deposits	0	0	0	0	0	0	0
Debt securities	0	2,720	6,050	23,931	33,755	0	66,456
Fair value revaluation of portfolio hedge							
Tax liabilities						27	27
Accruals and other liabilities	0	1,753	0	0	0	0	1,753
Provisions							
Subordinated debt	0	0	0	0	0	0	0
TOTAL	6,967	4,473	6,450	25,331	35,455	27	78,703

	As of September 30, 2010			Total
	Total broken down	Accrued interest	Fair value adjustment	
EUR millions				
Central banks	10,467	10	0	10,477
Hedging derivatives		1,240	6,880	8,120
Interbak loans and deposits	0	0	0	0
Customer borrowings and deposits	0	0	0	0
Debt securities	66,456	1,168	2,512	70,136
Fair value revaluation of portfolio hedge			2,438	2,438
Tax liabilities	27			27
Accruals and other liabilities	1,753	0		1,753
Provisions				0
Subordinated debt	0	0	0	0
TOTAL	78,703	2,418	11,830	92,951

c. Net liquidity gap

	As of September 30, 2010							Total
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total not broken down	
EUR millions								
Amount	(6,848)	376	1,926	6,536	12	143	(1,140)	1,005

This table presents the balance sheet at the closing date; it does not take into account the management decisions that will make it possible to manage differences in maturity or the future production of assets and liabilities. Dexia MA's liquidity is provided by its refinancing agreement with Dexia Credit Local. In addition, the Company may obtain funding from the Banque de France, by giving certain of these assets in guarantee (this process was tested in 2008, and the great majority of Dexia MA's assets are eligible for refinancing by the central bank). Dexia MA can thus obtain funding from the Banque de France enabling it to reimburse *obligations foncières* when they arrive at maturity; the assets given in guarantee are therefore excluded (as well as the matured bonds) from the calculation of the solvency ratio, which remains practically unchanged. The sight debt of EUR 6,967 million corresponds to the current account with Dexia Credit Local; this debt does not benefit from privilege of the law on *sociétés de crédit foncier*.

7-3 CURRENCY RISK

	As of September 30, 2009				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
EUR millions					
Total assets	72,491	3,910	6,424	3,594	86,419
Total liabilities and shareholders' equity	72,491	3,910	6,424	3,594	86,419
Net balance sheet position	0	0	0	0	0

	As of December 31, 2009				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
EUR millions					
Total assets	71,713	4,284	6,292	3,559	85,848
Total liabilities and shareholders' equity	71,713	4,284	6,292	3,559	85,848
Net balance sheet position	0	0	0	0	0

Classification by original currency	As of September 30, 2010				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
EUR millions					
Total assets	79,300	4,630	5,855	4,171	93,956
Total liabilities and shareholders' equity	79,300	4,630	5,855	4,171	93,956
Net balance sheet position	0	0	0	0	0

Dexia MA takes no foreign exchange risk. Assets and liabilities originally in non-euro currencies are swapped against Euribor as soon as they are recognized on the balance sheet.

7-4 SENSITIVITY TO INTEREST RATE RISK

Dexia Municipal Agency is subject to particular management with the goal of neutralizing exposure to interest rate risk to the extent possible. The method used follows simple principles and consists in converting the assets and liabilities on the balance sheet to floating rates so that they will move in a parallel manner under the impact of changes in the yield curve, while maintaining the margin unchanged.

All the derivative financial instruments used by Dexia Municipal Agency are part of a hedging system, whether micro or macro. The Company may not conduct trading operations, nor hold derivatives in an isolated open position.

Dexia Municipal Agency uses interest rate micro-hedges on a part of the assets and on the liabilities benefiting from the legal privilege, and interest rate macro-hedges on other assets and on off-balance sheet items to manage the overall interest rate risk. The micro-hedges cover the interest rate risk on the securities portfolio, on certain loans, on *obligations foncières* (and registered covered bonds). The macro-hedges are mainly used to manage the interest rate risk on fixed rate loans not hedged by micro-hedges (principally because the unit amount is too low) and to manage differences in Euribor fixing dates by Eonia hedges.

The residual interest rate risk from macro-hedges has been contained within a limit set since 2005, with the approval of the rating agencies, at 3% of equity. This limit is reviewed yearly and is currently set at EUR 35 million, of which EUR 9 million for the monetary gap and EUR 26.0 million for the fixed rate gap. Real sensitivity is maintained well under this limit.

The sensitivity thus measured corresponds to the change in the gap's net present value under the impact of a change in the yield curve of 100 basis points.

The results of this management in the last four quarters are presented in the following table.

Sensitivity of the gap		Average	Maximum	Minimum	Limit
Fixed rate	Q4 2009	9.7	15.2	6.5	26.0
	Q1 2010	13.8	18.3	11.0	26.0
	Q2 2010	18.1	22.6	15.6	26.0
	Q3 2010	19.4	29.9	12.2	26.0
Monetary	Q4 2009	0.5	4.7	(1.2)	4.5
	Q1 2010	2.0	4.4	(3.1)	4.5
	Q2 2010	0.6	4.6	(1.1)	9.0
	Q3 2010	1.0	2.8	0.1	9.0
Total	Q4 2009	10.3	15.0	6.7	30.5
	Q1 2010	15.5	20.0	10.1	30.5
	Q2 2010	18.9	23.1	14.6	35.0
	Q3 2010	20.3	31.7	12.6	35.0

* The monetary sensitivity limit was exceeded for a period of three days in December 2009. This can be explained by the recognition of Italian debt securities acquired in December 2009. This operation was carried out before the settlement date, but after the date on which interest rates were set, making it impossible to hedge the interest risk at 100%. This excess was, nevertheless, very limited in its amount (EUR 0.2 million) and in the length of time it occurred (three days). The overall sensitivity limit was never exceeded; total sensitivity reached a maximum of EUR 15.0 million, well under the limit of EUR 30.5 million.

** The fixed rate sensitivity limit was exceeded during one day in August 1st, 2010 further the French loans transfer from DCL to DMA which has perturbed the calculation of DMA's sensibility. The overall sensitivity limit was never exceeded; total sensitivity reached a maximum of EUR 31.7 million, well under the limit of EUR 35 million.



3

STATUTORY AUDITORS' REPORT *(IFRS)*

**Statutory Auditors' Review Report
of the intermediate financial statements under IFRS Gaap
for the period from January 1, 2010 to September 30, 2010**

(Free translation of the French language original)

This is a free translation into English of the statutory auditor's review report issued in French

and is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and construed in accordance with, French

law and professional standards applicable in France.

In our capacity of statutory auditors of Dexia Municipal Agency and following the request made to us, in the context of the objective of the entity to enhance the financial information provided to investors, we have reviewed the accompanying intermediate financial statements for the nine months period ended September 30, 2010.

These interim financial statements were prepared under the responsibility of the Executive Board in a context of economic and financial crisis which is still characterized by a high market volatility and a certain difficulty to apprehend the economic outlook. Our role is to express our conclusion on these financial statements, based on our review.

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying intermediate financial statements do not present fairly, in all material respects, the results of operations for the nine months ended September 30, 2010 and the financial position of Dexia Municipal Agency and its assets at that date, in accordance with IFRSs as adopted by the EU.

Without qualifying our opinion, we draw your attention to the matter set out in paragraph II "Significant Events" to the interim financial statements regarding the correction of error relative to costs of customer loans and advances.

This report is solely for your information in the context described here before and is not to be used, circulated or quoted for any other purpose.

We accept no responsibility towards any third party.

This report is governed by French Law. The courts of France shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning our engagement letter or this report, and any matter arising from them. Each party irrevocably waives any right it may have to object an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim that those courts do not have jurisdiction.

Neuilly-sur-Seine and Courbevoie, December 7, 2010

The statutory auditors
French original signed by
Deloitte & Associés José Luis GARCIA
Mazars Hervé HELIAS
Virginie CHAUVIN